

NEW ISSUE—FULL BOOK-ENTRY

**RATINGS: Moody's: "___"; Standard & Poor's: "___"
(See "MISCELLANEOUS – Ratings" 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 the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds 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 (and original issue discount) on the Bonds is exempt from State of California personal income tax.

**DESERT SANDS UNIFIED SCHOOL DISTRICT
(Riverside County, California)**

\$77,000,000*

**General Obligation Bonds, Election of 2014,
Series 2015**

\$105,000,000*

2015 General Obligation Refunding Bonds

Dated: Date of Delivery

Due: August 1, as shown on inside cover

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Desert Sands Unified School District (Riverside County, California) General Obligation Bonds, Election of 2014, Series 2015 (the "Series 2015 Bonds"), were authorized at an election of the registered voters of the Desert Sands Unified School District (the "District") held on November 4, 2014, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$225,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuance of the Series 2015 Bonds.

The Desert Sands Unified School District (Riverside County, California) 2015 General Obligation Refunding Bonds (the "Refunding Bonds," and together with the Series 2015 Bonds, the "Bonds") are being issued by the District to (i) advance refund [a portion of] the District's outstanding General Obligation Bonds, Election of 2001, Series 2006 and (ii) pay the costs of issuance of the Refunding Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of Riverside County is empowered and obligated to annually levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds.

The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015. The Bonds are issuable as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as further described herein.*

Maturity Schedule*

(see inside front cover)

The Bonds will be 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 legal matters will be passed upon for the Underwriter by Nixon Peabody LLP. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2015.

RBC Capital Markets

Dated: _____, 2015

* Preliminary, subject to change.

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.

MATURITY SCHEDULE*

Base CUSIP⁽¹⁾:

\$ _____
DESERT SANDS UNIFIED SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, Election of 2014, Series 2015

\$ _____ **Serial Bonds**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
--------------------------------	-----------------------------	--------------------------	--------------	----------------------------

\$ _____ - _____% **Term Bonds due August 1, 20__** - **Yield: _____%**; **CUSIP⁽¹⁾: _____**

\$ _____
DESERT SANDS UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Election of 2015 General Obligation Refunding Bonds

\$ _____ **Serial Bonds**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
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\$ _____ - _____% **Term Bonds due August 1, 20__** - **Yield: _____%**; **CUSIP⁽¹⁾: _____**

* 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 S&P Capital IQ, 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 CUSIP Services. None of the Underwriter, the Financial Advisor or the District are responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield to call at par on August 1, 20__.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The District maintains a website. 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 Bonds.

DESERT SANDS UNIFIED SCHOOL DISTRICT

Board of Education

Wendy Jonathan, *President*
Matteo Monica III, *Vice President and Clerk*
Michael Duran, *Member*
Donald B. Griffith, *Member*
Gary Tomak, *Member*

District Administration

Dr. Garrett Rutherford, *Superintendent*
Dr. James Novak, *Assistant Superintendent, Business Services*
Sherry Johnstone, *Assistant Superintendent, Personnel*
Kathleen Felci, *Assistant Superintendent, Educational Services*
Patrick Cisneros, *Director of Facilities Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

Financial Advisor

Fieldman Rolapp & Associates
Irvine, California

Paying Agent and Escrow Agent

U.S. Bank National Association
Los Angeles, California

Escrow Verification

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**DESERT SANDS UNIFIED SCHOOL DISTRICT
(Riverside County, California)**

\$77,000,000*
General Obligation Bonds, Election of 2014
Series 2015

\$105,000,000*
2015 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the (i) Desert Sands Unified School District (Riverside County, California) General Obligation Bonds, Election of 2014, Series 2015 (the “Series 2015 Bonds”), and (ii) Desert Sands Unified School District (Riverside County, California) 2015 General Obligation Refunding Bonds (the “Refunding Bonds” and together with the Series 2015 Bonds, the “Bonds”).

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

The District

The Desert Sands Unified School District, located in Riverside County (the “County”), provides 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, four 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. For fiscal year 2014-15, the District’s average daily attendance (“ADA”) is expected to be 25,301 students, and taxable property within the District has an assessed valuation of \$34,711,258,841.

The District is governed by a five-member Board of Education (the “District Board”), each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. Dr. Garrett Rutherford is currently the District Superintendent.

See “TAX BASE FOR REPAYMENT OF BONDS” for information regarding the District’s assessed valuation, and “DISTRICT FINANCIAL INFORMATION” and “DESERT SANDS UNIFIED SCHOOL DISTRICT” herein for information regarding the District generally.

* Preliminary, subject to change.

Purpose of the Bonds

Series 2015 Bonds. The proceeds from the sale of the Series 2015 Bonds will be used by the District to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities and (ii) pay the costs of issuance of the Series 2015 Bonds. See “THE BONDS – Application and Investment of Bond Proceeds” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Refunding Bonds. The Refunding Bonds are being issued to (i) advance refund [a portion of] the District’s outstanding General Obligation Bonds, Election of 2001, Series 2006 (the “Prior Bonds”), and (ii) pay the costs of issuance of the Refunding Bonds. The [portion of the] Prior Bonds refunded with proceeds of the Refunding Bonds is referred to herein as the “Refunded Bonds.”

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and pursuant to resolutions adopted by the District Board and, with respect to the Series 2015 Bonds, the Board of Supervisors of the County. See “THE BONDS – Authority for Issuance” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds when due. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), who will act as securities depository for the Bonds. See “THE BONDS – General Provisions” and “– Book-Entry Only System” herein. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See “THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds” herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the “Owners,” “Bondowners” or “Holders” of the Bonds (other than under the caption “TAX MATTERS” and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount, or any integral multiples thereof.

Redemption.* The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as further described herein. See “THE BONDS – Redemption” herein.

Payments. The Bonds will be dated as of their date of initial delivery (the “Date of Delivery”) and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each February 1 and August 1 (each, a “Bond Payment Date”), commencing August 1, 2015. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, 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 Bonds.

Tax Matters

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

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2015.

Bond Owner Risks

The Bonds are general obligations of the District payable from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, see “TAX BASE FOR REPAYMENT OF BONDS” herein.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS – Continuing Disclosure” and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein.

* Preliminary, subject to change.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fieldman Rolapp & Associates, Irvine, California is acting as Financial Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Fieldman Rolapp & Associates will receive compensation from the District contingent upon the sale and delivery of the Bonds. In addition to acting as Paying Agent, U.S. Bank National Association will act as Escrow Agent for the Refunded Bonds. _____ will act as Verification Agent for the Refunded Bonds. Certain matters will be passed on for the Underwriter (defined herein) by Nixon Peabody LLP.

Concurrent Borrowing

Concurrent with the issuance of the Bonds, the District also expects to execute and deliver its 2015 Refunding Certificates of Participation (the "2015 Certificates"), evidencing principal in the aggregate amount of \$34,000,000.* The 2015 Certificates are being executed and delivered by the District to refund its outstanding Certificates of Participation (2008 Financing Project) (the "2008 Certificates"). The 2015 Certificates will evidence fractional and undivided interests in the right to receive certain lease payments, and any prepayments thereof, to be made by the District pursuant to a lease-purchase agreement (the "Lease") by and between the District and the Desert Sands Unified School District School Building Corporation. Such lease payments are designed to pay, when due, the principal and interest with respect to the 2015 Certificates. The District will covenant in the Lease to take such action as may be necessary to include such lease payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. See also "DESERT SANDS UNIFIED SCHOOL DISTRICT – District Debt Structure – Certificates of Participation" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Desert Sands Unified School District, 47-950 Dune Palms Road, La Quinta, California 92253, telephone: (760) 777-4200. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations 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 Bonds 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 Bonds. 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 representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness,

* Preliminary, subject to change.

and is not to be construed as a representation by the District. 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

Series 2015 Bonds. The Series 2015 Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the “Act”), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the California Constitution and pursuant to resolutions adopted by the District Board on June 16, 2015 and the County Board of Supervisors on June 30, 2015 (collectively, the “Series 2015 Resolution”). The District received authorization at an election held on November 4, 2014 by the requisite 55% of the votes cast by eligible voters within the District to issue \$225,000,000 aggregate principal amount of general obligation bonds (the “2014 Authorization”). The Bonds are the first series of bonds issued under the 2014 Authorization, and following the issuance thereof, \$150,000,000* of the 2014 Authorization will remain.

Refunding Bonds. The Refunding Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California (the “Act”), and pursuant to a resolution adopted by the District Board on June 16, 2015 (the “Refunding Resolution,” and together with the Series 2015 Resolution, the “Resolution”).

See also “DESERT SANDS UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve, and the District can make no representations that the County will do so in future years. *Ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the respective Debt Service Funds (defined herein), which are required to be segregated and maintained by the County and which are designated for the payment of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in each Debt Service Fund to the payment of the respective issue of Bonds to which such fund relates. Although the County is obligated to levy an *ad valorem* property tax for the payment of the Bonds, and will maintain the Debt Service Funds, the Bonds are not a debt of the County.

* Preliminary, subject to change.

The moneys in each Debt Service Fund, to the extent necessary to pay the principal of and interest on the related series of Bonds, as the same becomes due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (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, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Beneficial Owners will not receive certificates representing their interest in the Bonds. The Bonds will be dated as of the Date of Delivery.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and will be payable semiannually on each Bond Payment Date, commencing August 1, 2015. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the respective Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2015, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by check mailed to such Bond Owner on the Bond Payment Date at his or her address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Bond Owner in an aggregate principal amount of \$1,000,000 or more may request in writing to the Paying Agent that such Bond Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The interest, principal and premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized

to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

Annual Debt Service

The following table displays the annual debt service requirements of the District for Bonds (assuming no optional redemptions).

Year Ending <u>Aug. 1</u>	<u>Series 2015 Bonds</u>		<u>Refunding Bonds</u>		<u>Total Annual Debt Service</u>
	<u>Annual Principal Payment</u>	<u>Annual Interest Payment</u> ⁽¹⁾	<u>Annual Principal Payment</u>	<u>Annual Interest Payment</u> ⁽¹⁾	

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

Application and Investment of Bond Proceeds

Series 2015 Bonds. The Series 2015 Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuance of the Series 2015 Bonds.

The net proceeds from the sale of the Series 2015 Bonds will be paid to the County to the credit of the “Desert Sands Unified School District General Obligation Bonds, Election of 2014, Series 2015 Building Fund” (the “Building Fund”). Any premium received by the County from the sale of the Series 2015 Bonds, as well as annual tax levies for the payment of the Series 2015 Bonds, will be kept separate and apart in the fund designated as the “Desert Sands Unified School District General Obligation Bonds, Election of 2014, Series 2015 Debt Service Fund” (the “Series 2015 Debt Service Fund”) and used only for payment of principal of and interest on the Series 2015 Bonds. Any excess proceeds of the Series 2015 Bonds not needed for the authorized purposes for which the Series 2015 Bonds are being issued shall be transferred to the Series 2015 Debt Service Fund and applied to the payment of principal of and interest on the Series 2015 Bonds. Pursuant to the Series 2015 Resolution, the District has pledged monies on deposit in the Series 2015 Debt Service Fund to the payment of the Series 2015 Bonds. If, after payment in full of the Series 2015 Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Refunding Bonds. The proceeds from the sale of the Refunding Bonds will be used by the District to (i) advance refund the Refunded Bonds and (ii) pay the costs of issuance of the Refunding Bonds.

The net proceeds from the sale of the Refunding Bonds will be deposited with U.S. Bank National Association, acting as escrow agent (the “Escrow Agent”), to the credit of a fund (the “Escrow Fund”) held pursuant to an escrow agreement (the “Escrow Agreement”) by and between the District and the Escrow Agent. A portion of the amount deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America, the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the principal of the Refunded Bonds on the first optional redemption date therefor, as well as the interest due on such Refunded Bonds on and before such date.

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the redemption price of the Refunded Bonds and the accrued interest thereon on the above-referenced date, will be verified by _____ (the “Verification Agent”). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment of the Refunded Bonds will terminate.

Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds, as well as annual tax levies for payment of the Refunding Bonds, will be deposited in the fund designated as the “Desert Sands Unified School District 2015 General Obligation Refunding Bonds Debt Service Fund” (the “Refunding Debt Service Fund,” and together with the Series 2015 Debt Service Fund, the “Debt Service Funds”), and used by the District only for payment of principal of and interest on the Refunding Bonds. Any excess proceeds of the Refunding Bonds not needed for the authorized purposes for which the Refunding Bonds are being issued shall be transferred to the Refunding Debt Service Fund and applied to the payment of principal of and interest on the Refunding

Bonds. Pursuant to the Refunding Resolution, the District has pledged monies on deposit in the Refunding Debt Service Fund to the payment of the Refunding Bonds. If, after payment in full of the Refunding Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Investment of Proceeds. Funds on deposit in the Escrow Fund will be invested as described above. Moneys in the Debt Service Funds and the Building Fund are expected to be invested through the County’s pooled investment fund. See “APPENDIX E - RIVERSIDE COUNTY POOLED INVESTMENT FUNDS” herein.

Redemption

Optional Redemption.* The Series 2015 Bonds maturing on August 1, 20__ are not subject to redemption prior to their stated maturity dates. The Series 2015 Bonds maturing on and after August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Refunding Bonds maturing on August 1, 20__ are not subject to redemption prior to their stated maturity dates. The Refunding Bonds maturing on and after August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption.* The Series 2015 Bonds maturing on August 1, 20__ (the “Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount of Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

Redemption Date <u>(August 1)</u>	<u>Principal Amount</u>
--	--------------------------------

⁽¹⁾ Maturity.

In the event that a portion of such Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately (or as otherwise directed by the District), in integral multiples of \$5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a

* Preliminary, subject to change.

maturity, the Paying Agent, shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in a principal amount of \$5,000, or any integral multiple thereof.

Redemption Notice. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a “Redemption Notice”) of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) give such Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor’s J.J. Kenny Information Services’ “Called Bond Record,” 55 Water Street, 45th Floor, New York, New York 10041.

“Securities Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “—Defeasance,” the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “—Defeasance,” and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in “—Defeasance,” such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

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, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest on, principal of or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or 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 Participants are on file with DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions 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.

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

DTC may discontinue providing its services as depository with respect to the Bonds 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, Bond 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, Bond certificates will be printed and delivered to the Owners thereof.

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least \$1,000,000 in aggregate principal amount, interest shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof) upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

- (a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if required, is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal thereof, interest thereon and redemption premium, if any, at or before their maturity dates;

- (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with monies transferred from the Debt Service Fund together with any other cash, if required, in such amount as will, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance, including all principal thereof, interest thereon and redemption premium, if any, at or before their maturity dates;

then, notwithstanding that any such maturities of Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or “prerefunded” municipal obligations rated in the highest rating category by Moody’s Investors Service (“Moody’s”) or Standard & Poor’s Ratings Service, a Standard & Poor’s Financial Services LLC business (“S&P”). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct general obligations of the United States of America by S&P or Moody’s.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds	<u>Series 2015 Bonds</u>	<u>Refunding Bonds</u>
Principal Amount of Bonds		
Net Original Issue Premium		
Total Sources		
Uses of Funds		
Costs of Issuance ⁽¹⁾		
Deposit to Escrow Fund	--	
Deposit to Building Fund		--
Deposit to Series 2015 Debt Service Fund		--
Total Uses		--

⁽¹⁾ Reflects all costs of issuance, including the underwriting discount, legal and financial advisory fees, printing costs, rating agency fees, and the costs and fees of the Paying Agent, Verification Agent and Escrow Agent.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such ad valorem taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds when due. The District’s general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same rolls as special district property taxes. Assessed valuations are the same for both the District and the County’s taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located 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 assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.” A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County’s taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a minimum 10% penalty attaches to any delinquent installment plus a \$10 cost on the second installment,

plus any additional amount determined by the Treasurer-Tax Collector (the “Treasurer”) of the County. Property on the secured roll with delinquent taxes declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a minimum \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. 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 November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (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 assessee; (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 assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also “—Secured Tax Charges and Delinquencies” herein.

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.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

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 (“SBE”). Assessed valuations are reported at 100% of the “full cash 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 AND APPROPRIATIONS” herein. The table on the following page shows a eight-year history of assessed valuations of the District.

ASSESSED VALUATIONS
Fiscal Years 2007-08 through 2014-15
Desert Sands Unified School District

<u>Fiscal Year</u>	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2007-08	\$35,156,948,535	\$3,124,056	\$745,519,576	\$35,905,592,167	--
2008-09	36,550,773,414	2,094,892	860,663,886	37,413,532,192	4.20%
2009-10	34,397,952,171	2,094,892	826,541,512	35,226,588,575	(5.85)
2010-11	32,640,030,469	2,094,892	768,219,487	33,410,344,848	(5.16)
2011-12	31,390,889,522	2,094,892	703,294,335	32,096,278,749	(3.93)
2012-13	31,205,081,734	1,953,524	669,656,716	31,876,691,971	(0.68)
2013-14	32,265,711,046	1,953,524	708,719,098	32,976,383,665	3.45
2014-15	34,080,738,595	1,953,524	628,566,725	34,711,258,841	5.26

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, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment” herein.

Drought. On January 17, 2014, the Governor declared a State-wide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history; California’s river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. As part of his State of Emergency declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Following the Governor’s declaration, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures including a requirement that the Water Board impose restrictions to achieve a statewide 25% reduction in urban water usage through February 28, 2016.

The District cannot make any representation regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District.

Appeals and Adjustments 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 SBE, with the appropriate county board of equalization or assessment appeals board. The County Assessor 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, an 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. 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.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, fire, or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIII A of the California Constitution” herein.

No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction. The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2014-15 assessed valuation.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2014-15
Desert Sands Unified School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Coachella	\$98,929,433	0.29%	\$1,470,374,818	6.73%
City of Indian Wells	5,036,704,940	14.51	5,036,704,940	100.00
City of Indio	5,934,759,051	17.10	6,736,088,434	88.10
City of La Quinta	7,021,742,294	20.23	11,428,511,593	61.44
City of Palm Desert	12,023,413,548	34.64	13,091,608,236	91.84
City of Rancho Mirage	1,506,632,173	4.34	7,642,762,900	19.71
Unincorporated Riverside County	<u>3,089,077,402</u>	<u>8.90</u>	34,589,271,495	8.93
Total District	\$34,711,258,841	100.00%		
Riverside County	\$34,711,258,841	100.00%	\$225,770,065,8291	5.37%

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows a per-parcel analysis of single family residential homes within the District, in terms of their fiscal year 2014-15 assessed valuation.

**PER PARCEL ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2014-15
Desert Sands Unified School District**

	<u>No. of Parcels</u>	<u>2014-15 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	52,600	\$20,456,469,394	\$388,906	\$251,033

<u>2014-15 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	948	1.802%	1.802%	\$35,566,589	0.174%	0.174%
\$50,000 - \$99,999	3,364	6.395	8.198	268,506,075	1.313	1.486
\$100,000 - \$149,999	6,299	11.975	20.173	789,213,151	3.858	5.344
\$150,000 - \$199,999	7,622	14.490	34.663	1,333,323,110	6.518	11.862
\$200,000 - \$249,999	7,760	14.753	49.416	1,740,880,736	8.510	20.372
\$250,000 - \$299,999	5,875	11.169	60.586	1,604,318,029	7.843	28.215
\$300,000 - \$349,999	4,328	8.228	68.814	1,400,849,728	6.848	35.063
\$350,000 - \$399,999	3,170	6.027	74.840	1,183,188,680	5.784	40.847
\$400,000 - \$449,999	2,678	5.091	79.932	1,134,220,858	5.545	46.392
\$450,000 - \$499,999	1,686	3.205	83.137	794,673,959	3.885	50.276
\$500,000 - \$549,999	1,230	2.338	85.475	644,400,201	3.150	53.426
\$550,000 - \$599,999	1,013	1.926	87.401	580,865,461	2.840	56.266
\$600,000 - \$649,999	888	1.688	89.089	553,154,306	2.704	58.970
\$650,000 - \$699,999	779	1.481	90.570	524,059,437	2.562	61.532
\$700,000 - \$749,999	628	1.194	91.764	453,396,335	2.216	63.748
\$750,000 - \$799,999	477	0.907	92.671	368,487,075	1.801	65.549
\$800,000 - \$849,999	284	0.540	93.211	233,838,545	1.143	66.693
\$850,000 - \$899,999	252	0.479	93.690	220,342,842	1.077	67.770
\$900,000 - \$949,999	163	0.310	94.000	150,816,039	0.737	68.507
\$950,000 - \$999,999	205	0.390	94.390	200,153,414	0.978	69.485
\$1,000,000 and greater	<u>2,951</u>	<u>5.610</u>	100.000	<u>6,242,214,824</u>	<u>30.515</u>	100.000
Total	52,600	100.000%		\$20,456,469,394	100.000%	

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

Assessed Valuation and Parcels by Land Use. The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2014-15 assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2014-15
Desert Sands Unified School District

	2014-15	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u> ⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Agricultural/Rural	\$48,171,870	0.14%	91	0.06%
Commercial/Industrial/Recreation	4,706,680,818	13.81	4,713	3.14
Vacant Commercial	455,858,230	1.34	1,104	0.74
Government/Social/Institutional	55,656,271	0.16	351	0.23
Miscellaneous/Vacant/Desert	308,342,304	0.90	12,121	8.08
Miscellaneous	<u>10,608,669</u>	<u>0.03</u>	<u>119</u>	<u>0.08</u>
Subtotal Non-Residential	\$5,585,318,162	16.39%	18,499	12.33%
<u>Residential:</u>				
Single Family Residence	\$20,456,469,394	60.02%	52,600	35.06%
Condominium/Townhouse	5,852,766,918	17.17	22,866	15.24
Mobile Home	404,070,563	1.19	4,854	3.24
Mobile Home Park	67,275,202	0.20	285	0.19
2+ Residential Units/Apartments	803,267,218	2.36	1,113	0.74
Timeshare Interests	242,755,519	0.71	44,879	29.91
Miscellaneous Residential	17,577,212	0.05	169	0.11
Vacant Residential	<u>651,238,407</u>	<u>1.91</u>	<u>4,777</u>	<u>3.18</u>
Subtotal Residential	\$28,495,420,433	83.61%	131,543	87.67%
Total	\$34,080,738,595	100.00%	150,042	100.00%

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies

The following table shows secured *ad valorem* property tax levies for payment of bonded debt of the District, and amounts delinquent as of June 30, for fiscal years 2007-08 through 2013-14.

**SUMMARY OF SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2007-08 through 2013-14
Desert Sands Unified School District
(General Obligation Bond Debt Service Levy)**

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
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	27,605,084.56	898,282.22	3.25
2010-11	32,242,760.93	728,144.56	2.26
2011-12	35,448,960.89	568,084.03	1.60
2012-13	34,414,709.35	466,340.24	1.36
2013-14	34,973,332.22	462,400.63	1.32

Source: California Municipal Statistics, Inc.

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) for distribution of certain property tax and assessment levies on the secured roll. Generally, under the Teeter Plan each participating local agency levying property taxes, including school districts, receives from the county or counties in which it is located the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the applicable county or counties receive(s) and retain(s) delinquent payments, penalties and interest as collected that would have been due to the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the applicable county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%. The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan is also applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

Under the Teeter Plan, as adopted by the County, secured property taxes are apportioned on an accrual basis when due (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency. The *ad valorem* property tax to be levied by the County to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a “TRA”) within the District during the five-year fiscal year period from 2010-11 to 2014-15.

**SUMMARY OF AD VALOREM TAX RATES (TRA 75-004)
Fiscal Years 2010-11 through 2014-15
Desert Sands Unified School District**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u> ⁽¹⁾
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Desert Sands Unified School District	.10036	.11467	.11156	.10954	.10984
Desert Community College District	.01995	.01995	.01995	.01995	.02325
Coachella Valley Water District	<u>.08000</u>	<u>.08000</u>	<u>.08000</u>	<u>.10000</u>	<u>.10000</u>
	1.20031%	1.21462%	1.21151%	1.22949%	1.23309%

⁽¹⁾ Fiscal year 2014-15 assessed valuation of TRA 75-004 is \$1,239,204,098, representing 3.57% of the District’s total assessed valuation.

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the 20 largest local taxpayers in the District in terms of their 2014-15 secured assessed valuations.

**20 LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2014-15
Desert Sands Unified School District**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total</u> ⁽¹⁾
1.	KSL Desert Resort	Hotel	\$233,672,295	0.69%
2.	Garden of Champions	Recreational	166,606,389	0.49
3.	WEA Palm Desert LP	Shopping Center	145,310,030	0.43
4.	DS Hotel	Hotel	142,417,301	0.42
5.	Gardens on El Paseo	Shopping Center	100,756,044	0.30
6.	WVC Rancho Mirage Inc.	Hotel	94,034,247	0.28
7.	Pru Desert Crossing	Commercial	85,231,391	0.25
8.	Worldmark the Club	Hotel	59,714,755	0.18
9.	Elisabeth E. Stewart	Residential Properties	58,434,980	0.17
10.	Sunrise Desert Partners	Land Holdings	56,697,456	0.17
11.	Grand Champions LLC	Hotel	50,516,425	0.15
12.	Segovia Operations	Assisted Living Facility	47,866,651	0.14
13.	Monarch Sevilla Venture	Apartments	47,585,410	0.14
14.	Feldor Esmeralda	Hotel	47,365,000	0.14
15.	Walgreen Co.	Commercial	44,554,523	0.13
16.	Inland American La Quinta Pavilion	Commercial	44,468,471	0.13
17.	Harsch Investment Realty	Commercial	43,670,062	0.13
18.	Jackson 42	Shopping Center	39,557,949	0.12
19.	Canterra I	Apartments	38,665,794	0.11
20.	Target Corp.	Commercial	<u>37,394,983</u>	<u>0.11</u>
			\$1,584,520,156	4.65%

⁽¹⁾ 2014-15 Local Secured Assessed Valuation: \$34,080,738,595.

Source: California Municipal Statistics, Inc.

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 May 4, 2015 for debt outstanding as of May 1, 2015. 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.

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

2014-15 Assessed Valuation: \$34,711,258,481

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Desert Community College District	51.000%	\$137,664,041
Desert Sands Unified School District	100.000	281,535,470⁽¹⁾
Desert Sands Unified School District Community Facilities District No. 1	100.000	1,295,000
City of Indio Community Facilities Districts	100.000	44,140,000
City of Palm Desert Community Facilities District No. 91-1	100.000	3,730,000
1915 Act Bonds (Estimated)	Various	42,688,514
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$511,053,025

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	15.375%	\$100,060,011
Riverside County Pension Obligation Bonds	15.375	49,272,263
Riverside County Board of Education Certificates of Participation	15.375	282,131
Desert Sands Unified School District Certificates of Participation	100.000	61,360,000⁽²⁾
City of Indio Certificates of Participation	88.104	34,527,958
City of La Quinta General Fund Obligations	61.441	1,477,656
City of Palm Desert General Fund Obligations	91.841	4,119,069
City of Rancho Mirage Certificates of Participation	19.713	830,903
Coachella Valley Recreation and Park District Certificates of Participation	78.843	1,302,695
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$253,232,686
Less: Riverside County supported obligations		1,297,382
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$251,935,304

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
Coachella Valley Redevelopment Agency Project Areas	7.707-8.403%	\$ 2,819,243
Indian Wells Redevelopment Agency Consolidated Whitewater Project Area	100.000	109,615,000
Indio Redevelopment Agency Project Areas	100.000	69,440,000
La Quinta Redevelopment Agency Project Areas	85.073-100.	182,614,918
Palm Desert Redevelopment Agency Project Areas	60.700-100.	263,531,024
Rancho Mirage Redevelopment Agency Project Areas	17.455-20.105	20,543,683
Riverside County Redevelopment Agency Project Area No. 4	0.680-3.086	5,383,183
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$653,947,051

GROSS COMBINED TOTAL DEBT	\$1,418,232,762 ⁽²⁾
NET COMBINED TOTAL DEBT	\$1,416,935,380

<u>Ratios to 2014-15 Assessed Valuation:</u>	
Direct Debt (\$281,535,470)	0.81%
Combined Direct Debt (\$342,895,470)	0.99%
Total Direct and Overlapping Tax and Assessment Debt	1.47%
Gross Combined Total Debt	4.09%
Net Combined Total Debt	4.08%

<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$19,368,620,446):</u>	
Total Overlapping Tax Increment Debt	3.38%

(1) Excludes the Bonds described herein, but includes the Refunded Bonds, in an aggregate principal amount of \$_____.

(2) Excludes the 2015 Certificates described herein, but includes the 2008 Certificates evidencing an outstanding principal amount of \$_____.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are not payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. (See “THE BONDS – Security and Sources of Payment” herein) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Series 2015 Bonds was approved by the District’s voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* property 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. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

Article XIII A requires a vote of two-thirds or more 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 (a) on any indebtedness approved by the voters prior to August 1, 1978, or (b), as the result of an amendment approved by State voters on June 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 August 1, 1978, or (c) 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 fifty-five percent or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Series 2015 Bonds falls within the exception described in (c) of the immediately preceding sentence. 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 claims, if any, 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.

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.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION” herein.

Article XIII B of the California Constitution

Article XIII B (“Article XIII B”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. 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 ADA of the school district from the preceding fiscal year.

For fiscal years beginning on or after August 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 bonded debt service such as the Bonds, (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 State 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 fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” herein.

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.

Article XIII C and Article XIII D of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. 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 1% *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.

Propositions 98 and 111

On November 8, 1988, voters of the State 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 August 1, 1990. The Accountability Act changed 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 the 1986-87 fiscal year, 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 State legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, is transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys 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 can 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 of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation 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 minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 school district 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 was 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 (“Test 1”) 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 (“Test 2”). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 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 capital personal income. Under Test 3, K-14 school districts 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 Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be 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 Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

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 cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. 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 August 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% 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.

Jarvis vs. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations

imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 30

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed each taxable year beginning in the taxable year commencing January 1, 2012 and ending in the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$608,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$608,000 for joint filers).

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

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts

pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 30, 39 and 98 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.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District’s general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State’s annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments (“COLAs”) and to equalize revenues among school districts of the same type. Funding of a school district’s revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Beginning in fiscal year 2013-14, school districts have been funded based on uniform system of funding grants assigned to certain grade spans. See “— Local Control Funding Formula” herein.

The following table reflects the District’s historical ADA and the revenue limit rates per unit of ADA for fiscal years 2008-09 through 2012-13.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2008-09 through 2012-13
Desert Sands Unified School District**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u> ⁽¹⁾	<u>Annual Change in ADA</u>	<u>Base Revenue Limit Per ADA</u>	<u>Funded Revenue Limit Per ADA</u> ⁽²⁾
2008-09	25,750	(726)	\$6,112.98	\$5,633.48
2009-10	25,781	31	6,374.98	4,951.86
2010-11	25,633	(148)	6,349.98	5,209.33
2011-12	25,610	(23)	6,492.98	5,155.30
2012-13	25,432	(178)	6,704.98	5,211.65

⁽¹⁾ Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is each four-week period of instruction beginning with the first day of school for any school district.

⁽²⁾ Deficit revenue limit funding, if provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for a given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State’s practice of deficit limit funding was most recently reinstated beginning in fiscal year 2007-08 and eliminated with the implementation of the LCFF (defined herein).

Source: *Desert Sands Unified School District.*

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”), enacted as part of the 2013-14 State budget, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49).

The primary component of AB 97 is the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also “—State Budget Measures” for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2012-13 through 2014-15.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 and 2014-15
Desert Sands Unified School District

Fiscal Year	Average Daily Attendance⁽¹⁾				Total ADA	Enrollment	
	K-3	4-6	7-8	9-12		Total Enrollment⁽²⁾	% of EL/LI Enrollment⁽²⁾
2012-13	7,622.81	5,716.00	3,410.46	8,682.37	25,431.64	26,983	N/A
2013-14	7,615.19	5,595.87	3,556.38	8,800.90	25,568.34	26,981	68.6%
2014-15	7,475.78	5,537.65	3,580.82	8,706.49	25,300.74	26,715	72.85

⁽¹⁾ Reflects P-2 ADA.

⁽²⁾ Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”). Fiscal years 2013-14 and 2014-15 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures generally exclude preschool and adult transitional students. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15, or the current year percentage of EL/LI enrollment, whichever was greater. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students will be based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: *Desert Sands Unified School District.*

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, 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. During fiscal year 2012-13, the District qualified as basic aid due to an influx of additional property tax revenues resulting from the dissolution of redevelopment agencies. See “—Other Revenue

Sources – Redevelopment Revenue” herein. The District does not currently qualify as basic aid, and does not expect to in future fiscal years.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before June 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. On or before October 1, 2015, the State Board of Education is required to develop rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized (i) to modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other Revenue Sources

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Sources. The federal government provides funding for several school district programs, including specialized programs such as No Child Left Behind, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, portions of a school district’s budget can come from local sources other than unrestricted property taxes, including but not limited to interest income, leases and rentals, foundations, donations and sales of property. With respect to the District, see also “— Tax Increment Revenue,” and “— Developer Fees” below.

Tax Increment Revenue. The District previously entered into agreements with a number of redevelopment agencies formed pursuant the California Community Redevelopment Law (California Health and Safety Code Sections 33000 *et seq.*) (collectively, the “Redevelopment Agencies”), pursuant to which the District has historically received “pass-through” tax increment revenues. The District expects to continue receiving tax increment revenues from the Successor Agency (as defined herein) to each Redevelopment Agency. Tax-increment revenues received by the District are the principal source of funds for the payment of lease payments evidencing principle and interest with respect to the District’s outstanding certificates of participation and equipment lease financings. See “DESERT SANDS UNIFIED SCHOOL DISTRICT — District Debt Structure — Certificates of Participation” and “— Equipment Lease” herein. The table below summarizes tax increment revenues received by the District over the last five fiscal years, and an estimate for fiscal year 2014-15.

TAX INCREMENT REVENUES
Fiscal Years 2009-10 through 2014-15
Desert Sands Unified School District

<u>Fiscal Year</u>	<u>Total Tax Increment Revenues Received</u>	<u>Tax Increment Revenues Allocated to Outstanding Debt⁽¹⁾</u>	<u>Unallocated Tax Increment Revenues</u>
2009-10	\$11,679,415	\$7,300,000	\$4,379,415
2010-11	24,694,160	7,391,568	17,302,592
2011-12	22,094,045	7,354,481	14,739,569
2012-13	15,553,160	7,049,913	8,503,247
2013-14	16,808,092	6,985,907	9,822,185
2014-15 ⁽²⁾	17,700,257	8,146,773	9,553,484

⁽¹⁾ A portion of the tax increment revenues received in each year are allocated to the payment of debt service associated with the District’s outstanding certificates of participation and equipment lease financings. See “DISTRICT FINANCIAL MATTERS – District Debt Structure – Certificates of Participation” and “—Equipment Lease” herein.

⁽²⁾ Projected as of June 2, 2015.

Source: *Desert Sands Unified School District.*

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution

Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the County Auditor-Controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABx1 26 using current assessed values and pursuant to statutory formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

While the District currently expects to continue receiving pass through tax increment revenues from the Successor Agencies to the Redevelopment Agencies, the District can make no representations as to the extent to which its State apportionments may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

Developer Fees. The District maintains a fund, separate and apart from the General Fund, to account for developer fees levied on residential and commercial development pursuant to Education Code Section 17620. Residential development is assessed a fee of \$3.36 per square foot, while commercial development is assessed a fee of \$0.54 per square foot. The table on the following page summarizes the revenues received by the District from developer fees over the last five years and a projected amount for 2014-15.

DEVELOPER FEE COLLECTIONS
Fiscal Years 2009-10 through 2014-15
Desert Sands Unified School District

<u>Fiscal Year</u>	<u>Total Collections</u>
2009-10	\$830,808
2010-11	617,994
2011-12	1,165,046
2012-13	2,733,340
2013-14	2,659,665
2014-15 ⁽¹⁾	2,500,000

⁽¹⁾ Projected.

Source: *Desert Sands Unified School District.*

Accounting Practices

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

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

Comparative Financial Statements

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. Audited financial statements for the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services, 47-950 Dune Palms Road, La Quinta, California 92253, telephone: (760) 777-4200. The audited financial statements for the year ended June 30, 2014, are included in APPENDIX B hereto.

For fiscal years ended June 30, 2003, and later, the District implemented Governmental Accounting Standards Board ("GASB") Statements 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 table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2009-10 to fiscal year 2013-14.

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AUDITED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2009-10 through 2013-14
Desert Sands Unified School District

REVENUES	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12⁽¹⁾	Fiscal Year 2012-13⁽¹⁾	Fiscal Year 2013-14⁽¹⁾
Revenue Limit/LCFF Sources	\$128,282,042	\$135,485,666	\$134,131,384	\$135,695,616	\$166,601,423
Federal Revenues	24,949,190	19,741,667	22,754,999	17,401,366	16,569,491
Other State Revenues	34,973,361	33,227,599	34,033,999	35,646,571	21,403,861
Other Local Revenues	<u>33,940,218</u>	<u>41,266,506</u>	<u>40,181,269</u>	<u>32,647,234</u>	<u>35,444,472</u>
Total Revenues	222,144,811	229,721,438	231,101,651	221,390,787	240,019,247
 EXPENDITURES					
Current					
Instruction	139,218,297	133,717,092	140,231,788	137,369,360	145,604,902
Instruction-related activities:					
Supervision of Instruction	10,263,000	9,405,172	9,945,128	9,539,083	10,386,315
Instructional Library, media, and technology	2,392,539	2,375,968	2,352,212	2,209,787	2,664,276
School site administration	13,833,955	13,993,351	14,333,157	14,217,009	14,650,220
Pupil services:					
Home-to-school transportation	5,504,879	5,523,313	7,342,649	6,278,132	7,257,014
Food services	35,277	22,581	15,356	17,724	15,704
All other pupil services	12,054,113	11,481,287	11,896,909	12,010,371	12,650,878
General administration:					
Data processing	2,896,365	2,809,971	3,042,660	3,092,695	3,082,485
All other general administration	8,252,053	8,378,789	6,862,424	7,174,614	7,525,423
Plant services	21,692,739	21,819,061	22,262,526	22,389,563	24,511,880
Facility acquisition and construction	2,773	--	76,727	71,599	19,631
Ancillary services	2,633,047	3,005,335	3,707,709	3,679,129	3,698,353
Community services	6,778	10,178	23,080	5,135	5,708
Other outgo	96,582	76,628	79,979	78,961	376,586
Debt Service					
Principal	28,805	24,100	25,199	25,738	27,549
Interest and Other	<u>--</u>	<u>125,948</u>	<u>(242,113)</u>	<u>474,196</u>	<u>281,270</u>
Total Expenditures	218,911,192	212,768,774	221,955,390	218,632,096	232,728,194
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,233,619	16,952,664	9,146,561	2,758,691	7,291,053
 OTHER FINANCING SOURCES/(USES)					
Operating Transfers In	--	635,000	635,342	--	1,204,703
Other Sources	132,000	--	--	--	--
Operating Transfers Out ⁽²⁾	<u>(7,714,384)</u>	<u>(17,034,463)</u>	<u>(14,407,772)</u>	<u>(7,704,772)</u>	<u>(8,057,913)</u>
Total Other Financing Sources (Uses)	(7,582,384)	(16,399,463)	(13,772,430)	(7,704,772)	(6,853,210)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Uses	(4,348,765)	533,201	(4,626,169)	(4,946,081)	437,843
Fund Balance, August 1	<u>27,920,330</u>	<u>26,527,947⁽³⁾</u>	<u>27,081,148</u>	<u>22,454,979</u>	<u>17,508,898</u>
Fund Balance, June 30	<u>\$23,571,565</u>	<u>\$27,081,148</u>	<u>\$22,454,979</u>	<u>\$17,508,898</u>	<u>\$17,946,741</u>

⁽¹⁾ For audited results for fiscal years 2010-11 through 2013-14 in object-oriented format, please see "DISTRICT FINANCIAL MATTERS – Budget Process – Budgeting Trends" herein.

⁽²⁾ Operating Transfers Out primarily reflect transfers of tax increment revenues to pay debt service on the District's outstanding certificates of participation and equipment lease. See "DESERT SANDS UNIFIED SCHOOL DISTRICT – District Debt Structure – Certificates of Participation" and "—Equipment Lease" herein.

⁽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. 54's definition of governmental funds. For financial reporting purposes, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) was reported as part of the District's general fund. A corresponding 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.

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. Subsequent legislation has made certain amendments to the budgeting process, including Senate Bill 97, effective as of September 26, 2013 (requiring budgets to include sufficient funds to implement LCAPs), Senate Bill 858, effective as of June 20, 2014 (requiring ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, effective as of September 9, 2014 (eliminating the dual budget cycle option for school districts).

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. 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, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget’s ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally 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. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For 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. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. 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 subsequent 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. The District self-designated as “qualified” its second interim financial report for fiscal year 2009-10, and all interim financial reports for fiscal years 2010-11 through 2012-13. For all reporting periods thereafter the District has designated, and the County office of education has accepted, its interim financial reports as “positive.”

Budgeting Trends. The following table sets forth the District’s general fund adopted budgets for fiscal years 2011-12 through 2014-15, ending results for fiscal years 2011-12 through 2013-14, and projected results from fiscal year 2014-15.

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GENERAL FUND BUDGETING
FISCAL YEARS ENDING JUNE 30, 2012 THROUGH JUNE 30, 2015
Desert Sands Unified School District

	Fiscal Year 2011-12 ⁽¹⁾		Fiscal Year 2012-13 ⁽¹⁾		Fiscal Year 2013-14 ⁽¹⁾		Fiscal Year 2014-15 ⁽²⁾	
	Adopted Budget	Audited	Adopted	Audited	Adopted Budget	Audited	Adopted Budget	Projected
REVENUES								
Revenue Limit /LCFF Sources	\$135,958,963	\$134,131,384	\$135,147,254	\$135,695,616	\$135,005,485	\$166,601,423	\$188,385,098	\$191,357,702
Federal Sources	20,800,111	22,754,999	15,808,627	17,401,366	14,659,153	16,569,491	14,645,781	17,558,606
Other State Sources	25,234,982	34,033,999	26,706,803	35,646,571	28,910,624	21,403,861	10,606,397	14,021,822
Other Local Sources	<u>34,623,792</u>	<u>40,181,269</u>	<u>33,970,297</u>	<u>32,647,234</u>	<u>31,805,204</u>	<u>35,444,472</u>	<u>33,082,390</u>	<u>33,541,681</u>
TOTAL REVENUES	216,617,848	231,101,651	211,632,981	221,390,787	210,380,466	240,019,247	246,719,666	256,479,811
EXPENDITURES								
Certificated Salaries	103,164,473	105,596,787	102,829,956	107,882,387	104,346,993	112,969,672	113,774,502	115,386,905
Classified Salaries	30,467,398	31,969,428	30,787,403	32,751,395	34,094,468	36,819,065	37,673,417	37,878,563
Employee Benefits	52,223,707	55,714,086	51,766,414	53,259,174	51,208,835	50,848,196	55,663,895	56,753,243
Books & Supplies	6,681,344	10,538,638	6,096,596	6,840,768	6,693,862	10,934,962	7,539,015	12,270,542
Services & Other Operating Expenses	17,465,198	17,326,494	17,328,085	17,873,039	16,769,239	19,853,550	19,165,760	20,880,716
Capital Outlay	--	--	--	--	1,328,786	--	1,128,010	1,222,488
Other Outgo	(292,049)	781,151	5,111	(3,472)	(625,007)	1,104,187	1,851,863	730,728
Transfers of Direct Support/Indirect Costs	--	--	--	--	--	--	(729,021)	(748,336)
Debt Service	<u>28,807</u>	<u>28,806</u>	<u>28,807</u>	<u>28,805</u>	--	<u>198,562</u>	--	--
TOTAL EXPENDITURES	209,738,878	221,955,390	208,842,372	218,632,096	213,817,176	232,728,194	236,067,441	244,374,397
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,878,970	9,146,261	2,790,609	2,758,691	(3,436,710)	7,291,053	10,652,225	12,105,413
OTHER FINANCING SOURCES/(USES)								
Operating Transfers In	635,000	635,342	--	--	1,200,000	1,204,703	--	--
Operating Transfers Out ⁽³⁾	<u>(9,767,047)</u>	<u>(14,407,772)</u>	<u>(10,352,164)</u>	<u>(7,704,772)</u>	<u>(1,855,173)</u>	<u>(8,057,913)</u>	<u>(8,781,881)</u>	<u>(8,768,374)</u>
TOTAL OTHER FINANCING SOURCES/(USES)	(2,253,077)	(13,772,430)	(10,352,164)	(7,704,772)	(655,173)	(6,853,210)	(8,781,881)	(8,768,374)
NET INCREASE (DECREASE) IN FUND BALANCE	(9,132,047)	(4,626,169)	(7,561,555)	(4,946,081)	(4,091,883)	437,843	1,870,344	3,337,040
Fund Balance, July 1	<u>27,081,148</u>	<u>27,081,148</u>	<u>22,454,979</u>	<u>22,454,979</u>	<u>17,508,898</u>	<u>17,508,898</u>	<u>12,237,008⁽⁴⁾</u>	<u>16,453,730⁽⁴⁾</u>
Fund Balance, June 30	<u>\$24,825,071</u>	<u>\$22,454,979</u>	<u>\$14,893,424</u>	<u>\$17,508,898</u>	<u>\$13,417,015</u>	<u>\$17,946,741</u>	<u>\$14,107,352</u>	<u>\$19,790,769</u>

⁽¹⁾ From the District's audited financial statements in each fiscal year. Beginning and ending fund balances include the District's Fund 17 (Special Reserve for Other than Capital Outlay), pursuant to GASB Statement No. 54. See "Comparative Financial Statements" herein.

⁽²⁾ From the District's second interim financial report for fiscal year 2013-14, dated as of March 18, 2014.

⁽³⁾ Operating Transfers Out primarily reflect transfers of tax increment revenues to pay debt service on the District's outstanding certificates of participation. See "DISTRICT FINANCIAL MATTERS – Other Revenue Sources – Tax Increment Revenue" herein.

⁽⁴⁾ Beginning and ending fund balances figures do not reflect the inclusion of Fund 17 (Special Reserve for Other than Capital Outlay) within the District's general fund.

Source: Desert Sands Unified School District.

State Budget Measures

The following information concerning the State's budgets 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. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof.

2014-15 Budget. On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the "2014-15 Budget"). The following information is drawn from the State Department of Finance's summary of the 2014-15 Budget and the LAO report entitled "The 2014-15 Budget: California Spending Plan," and certain other sources relating to Proposition 2 (defined herein).

The 2014-15 Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a \$2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of \$109.5 billion and total State general fund expenditures of \$108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State's general fund traditional reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

As part of implementing certain provisions of the 2014-15 Budget, a legislatively-referred constitutional amendment (Proposition 2) was placed on the ballot, and ultimately approved by the voters at the November 4, 2014 statewide election. Among other things, Proposition 2 creates a Proposition 98 reserve that is expected to smooth spikes in education funding. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

As a result of changes in State general fund revenues, local property tax collections and changes in student attendance, the 2014-15 Budget includes revised estimates to the minimum fund guarantees for fiscal years 2012-13 and 2013-14. The 2012-13 minimum guarantee is revised upward to \$57.8 billion, an increase of \$1.3 billion over the estimate included in the 2013-14 State budget. For fiscal year 2013-14, the 2014-15 Budget revises the minimum guarantee at \$58.3 billion, approximately \$3 billion higher than that included in the 2013-14 State budget.

The 2014-15 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2014-15 at \$60.9 billion, including \$44.5 billion of support from the State general fund. This represents an increase of \$2.6 billion over the estimates included in the Governor's May revision. The 2014-15 Budget also authorizes certain payments to reduce the State's outstanding maintenance factor, including \$5.2 billion allocable to fiscal year 2012-13 and \$2.6 billion allocable to fiscal year 2014-15. The State is expected to end fiscal year 2014-15 with an outstanding maintenance factor of approximately \$4 billion.

Significant features of the 2014-15 Budget related to the funding of K-12 education include the following:

- *State Pensions* – The 2014-15 Budget includes a plan to reduce the \$74.4 billion unfunded STRS liability in approximately 30 years by increasing contribution rates among the State, K-14 school districts, and participating employees. For fiscal year 2014-15, these increases are expected to result in \$276 million of additional contributions from all three entities. The plan also provides the STRS Board (as defined herein) with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary. For additional information, see “DESERT SANDS UNIFIED SCHOOL DISTRICT – District Retirement Systems” herein.
- *Local Control Funding Formula* – An increase of \$4.7 billion in Proposition 98 funding to continue the transition to the LCFF. This includes a 0.85% COLA to prior-year Base Grants, and results in per-pupil funding that is 12% higher than the prior-year. This increase is projected to close the remaining funding implementation gap between prior year funding levels and the LCFF target levels by approximately 29%. As a result, the adjusted 2014-15 Base Grants are as follows: (i) \$7,011 for grades K-3, (ii) \$7,116 for grades 4-6, (iii) \$7,328 for grades 7-8, and (iv) \$8,491 for grades 9-12. The LAO estimates that the 2014-15 funding levels are approximately 80% of the full implementation cost. The 2014-15 Budget also provides \$26 million towards implementing the LCFF for county offices of education, sufficient to fully fund their LCFF funding target in fiscal year 2014-15. See also “DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula” herein.
- *School Reserves* – Senate Bill 858 (Stats. 2014, Chapter 32) (“SB 858”), trailer legislation to the 2014-15 Budget, creates new disclosure requirements effective beginning fiscal year 2015-16 for school districts that have general fund reserves in excess of the State minimum. Existing minimum reserve levels vary between one to five percent of general fund expenditures, depending on the size of the district, and generally require higher reserves for smaller school districts. SB 858 would require school districts to identify amounts in excess of their required reserves and explain the need for higher levels. This information must be disclosed at a public meeting and in each budget submitted to a county office of education. The LAO indicates that available data shows that virtually all school districts maintain excess reserves. As a result of the passage of Proposition 2 (discussed above), certain additional provisions of SB 858 have gone into effect that will cap school district reserve levels. Reserves will be capped in any fiscal year following a State deposit into the PSSSA created by Proposition 2. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein. Caps for most school districts will range between three to ten percent of annual general fund expenditures. SB 858 permits a county office of education to grant an exemption from the reserve cap for up to two years if a school district demonstrates that it would face extraordinary fiscal circumstances justifying a higher reserve.
- *Categorical Programs* – The 2014-15 Budget provides \$33 million to fund a 0.85% COLA for select K-12 categorical programs, including foster youth services, American Indian American Indian Childhood Education, special education and child nutrition.
- *K-12 Deferrals* – The 2014-15 Budget provides \$5.2 billion to reduce outstanding apportionment deferrals, including \$4.7 billion for school districts. Under the budget plan, \$992 million in deferrals, including \$897 million for school districts, are expected to remain outstanding at the end of fiscal year 2014-15. The 2014-15 Budget also provides for a trigger mechanism whereby potentially all outstanding deferrals would be repaid if the Proposition 98 minimum guarantee increases as a result of additional funding sources. Effectively, the

2014-15 Budget earmarks the first \$992 million of additional State spending allocable to fiscal years 2013-14 and 2014-15 to the paydown of deferrals.

- *Student Assessments* – The 2014-15 Budget provides \$54 million to continue the implementation of new student assessments.
- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.
- *K-12 Mandates* – The 2014-15 Budget provides \$400 million, including \$287 million of Proposition 98 funding and \$113 million from unspent prior-year funds, to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis. The 2014-15 Budget also adds six new K-12 reimburseable mandates to the existing block grant program. The 2014-15 Budget does not increase funding for the block grant program as the added costs are expected to be minimal.
- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires a five-year period, starting in fiscal year 2013-14, that a portion of these additional revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 Budget provides \$279 million of Proposition 98 funding for qualifying school district energy programs and \$28 million for a revolving loan program for K-14 school districts.
- *Quality Education Investment Act* – The 2014-15 Budget authorizes a final payment of \$410 million to retire the State’s obligation under the Quality Education Investment Act (Stats. 2006, Chapter 751), which required the State to provide additional annual school district and community college district funding payments. Of this amount, \$316 million is for continued funding of the QEIA program (including \$268 million for school districts) and \$94 million is to pay down a separate State obligation related to school facility repairs.
- *Emergency Repair Program* – \$189 million of funding towards the Emergency Repair Program (“ERP”), which was created in 2004 to fund critical repair projects at certain low-performing schools. Funds will be allocated to school districts that have unfunded claims for emergency repairs from the most recent ERP award cycle, which occurred in 2008.
- *School Infrastructure* – The 2014-15 Budget shifts existing bonding authority under the Career Technical Education (\$4.1 million) and High Performance Initiative (\$32.9 million) school facility programs to the New Construction and Modernization facility programs. Bonding authority will be split equally between new construction and modernization.
- *K-12 High-Speed Internet Access* – An increase of \$27 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.
- *Career Technical Education Pathways Program* – An increase of \$250 million in one-time Proposition 98 funding to support competitive grants for participating K-12 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

For additional information regarding the State's budgets and revenue projections and a more detailed description of the 2014-15 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Governor's Proposed 2015-16 Budget. On January 9, 2015, the Governor released his proposed State budget for fiscal year 2015-16 (the "Proposed Budget"). The following information is taken from the LAO's overview of the Proposed Budget, dated January 13, 2015.

The Proposed Budget assumes, for fiscal year 2014-15, total general fund revenues and transfers of \$108 billion and authorizes total expenditures of \$111.7 billion. The State is projected to end the 2014-15 fiscal year with a general fund surplus of \$2.1 billion, composed of a balance of \$452 million in the State's traditional budget reserve and balance of \$1.6 billion in the BSA. For fiscal year 2015-16, the Proposed Budget assumes total general fund revenues of \$113.4 billion and authorizes expenditures of \$113.3 billion. The State is projected to end the 2015-16 fiscal year with a \$3.4 billion general fund surplus, composed of a \$534 million balance in the budget reserve and \$2.8 billion in the BSA. The balance in the BSA includes a \$1.2 billion deposit mandated by the provisions of Proposition 2. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein. This \$1.2 billion deposit to the BSA reflects half of the total Annual BSA Transfer and Supplemental BSA Transfer required by Proposition 2, and the Proposed Budget allocates the other \$1.2 billion towards paying down special fund loans and certain Proposition 98 "settle up" obligations created by previous budgetary legislation that understated the minimum funding guarantee. Under the Proposed Budget, outstanding Proposition 98 settle up obligations at the end of fiscal year 2015-16 total \$1.3 billion. The Proposed Budget provides no deposit into the PSSSA, and the Governor does not project that such a deposit will need to be made at any point during the current budgetary forecast period (running through fiscal year 2018-19).

As a result of projected increases to State general fund revenues, as well as certain revisions to student attendance, the Proposed Budget includes revised estimates of the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The 2013-14 minimum funding guarantee is revised upward to \$58.7 billion, an increase of \$371 million from the estimate included in the 2014-15 Budget. For fiscal year 2014-15, the minimum funding guarantee is revised at \$63.2 billion, approximately \$2.3 billion higher than that included in the 2014-15 Budget.

For fiscal year 2015-16, the Proposed Budget sets the minimum funding guarantee at \$65.7 billion, including \$47 billion from the State general fund, and reflects an increase of \$2.6 billion (or 4%) from the revised level for fiscal year 2014-15. Despite the increase in the minimum guarantee, the State general fund share is only \$371 million. A projected growth in available local property tax collections accounts for the balance, and results primarily from the Governor's assumption that the "triple flip" legislation, which diverts local property tax revenues from school districts and community colleges to local governments, will sunset. For purposes of Proposition 98, fiscal year 2015-16 is a "Test 2" year, and changes in the minimum guarantee are driven primarily by an increase in per-capita personal income. Under the Proposed Budget, total per-student Proposition 98 funding increases to \$9,571, an increase of \$640 (or 7.2%) from the prior year.

Significant features of the Proposed Budget with respect to K-12 education include the following:

- *Maintenance Factor* – The Proposed Budget authorizes a maintenance factor payment of \$725 million owed to school districts and community college districts, leaving an outstanding maintenance factor of \$1.9 billion.

- *Local Control Funding Formula* – An additional \$4 billion to school districts and charter schools to continue the implementation of the LCFF, reflecting a year-to-year increase of 9%. This amount is estimated to close approximately 32% of the remaining funding gap between fiscal year 2014-15 funding levels and the LCFF target rates. Under the Proposed Budget, the LAO estimates that the LCFF target rates will be approximately 85% funded. The Proposed Budget also provides \$109,000 of Proposition 98 funds to support a cost of living adjustment for county offices of education at their target LCFF funding levels.
- *Apportionment Deferrals* –\$897 million to eliminate all outstanding K-12 apportionment deferrals.
- *Categorical Programs* – An increase of \$71 million to support a 1.58% COLA for selected categorical programs outside of the LCFF.
- *Adult Education* – \$500 million in ongoing funding for adult education. This proposal would build on prior budgetary legislation which mandated the establishment of regional adult education consortia composed of school districts, community college districts and certain other stakeholders to for delivery of adult education services. Under the Governor’s proposal, the ongoing funding would support programs in elementary and secondary basic skills, citizenship and English as a second language for immigrants, educational programs for disabled adults, short-term career technical education (CTE) and apprenticeship programs. For fiscal year 2015-16 only, these funds would replace, on a dollar-for-dollar basis, LCFF funds currently allocated to school district-run adult education programs in these five areas.
- *Career Technical Education* – \$250 million in funding in each of the next three fiscal years to fund a competitive grant initiative that supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. Participating school districts, county offices of education and charter schools would be required to match grant contributions dollar-for-dollar, collect accountability data and commit to providing ongoing support to CTE programs after the expiration of grant funding. Applicants would also be expected to partner with local postsecondary institutions, labor organizations and businesses in applying for the grant funds. The Proposed Budget also includes \$48 million to extend the Career Technical Education Pathways Grant Program, created as part of the 2013-14 State budgetary legislation. The primary purpose of the program is to improve linkages between CTE programs and schools and community colleges, as well as between K-14 education and local businesses. The California Department of Education and the California Community Colleges Chancellor’s Office jointly administer the program and allocate funding through an interagency agreement.
- *Technology Infrastructure* – \$100 million in one-time funding to support additional broadband infrastructure improvement grants, and builds on prior funding provided in the 2014-15 Budget for such grants.
- *Emergency Repair Program* – \$273 million in one-time funding for the State ERP. See also “—2014-15 Budget” herein. This additional payment is expected to fully retire the State’s ERP obligation.
- *Education Mandates* –\$1.1 billion to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis.

For additional information regarding the Proposed Budget, see the DOF's website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such website is not incorporated herein by reference

May Revision. On May 14, 2015, the Governor released his May revision (the "May Revision") to the Proposed Budget. The following information is drawn from the Department of Finance's summary of Proposed Budget.

The May Revision continues to project the expansion of the State and national economies, as well as increases to State revenues attributable primarily to higher capital gains tax collections. The May Revision allocates only a small portion of these additional revenues to new spending areas, and instead allocates the bulk towards education funding, additional deposits to the BSA and additional payments towards outstanding State special fund loans.

After accounting for transfers to the BSA, the May Revision projects year-end general fund revenues for fiscal year 2014-15 to be \$111.3 billion, approximately \$3.3 billion higher than projected in the Proposed Budget. State general fund expenditures are also expected to increase by approximately \$2.8 billion, for a year-end total of \$114.5 billion. The May Revision projects that the State will end fiscal year 2014-15 with a \$3 billion surplus, composed of a \$1.4 billion balance in the general fund reserve and a \$1.6 billion balance in the BSA. For fiscal year 2015-16, the May Revision projects State general fund revenues of \$115 billion, approximately \$1.7 billion higher than previously projected. The May Revision would authorize State general fund expenditures of \$115.3 billion, an increase of \$2 billion from that in the Proposed Budget. The State is projected to end fiscal year 2015-16 with a \$4.6 billion general fund surplus, composed of a \$1.1 billion balance in the general fund reserve and \$3.5 billion in the BSA.

The May Revision includes revised estimates of the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The fiscal year 2013-14 minimum funding guarantee is set at \$58.9 billion, an increase of \$241 million above the revised level included in the Proposed Budget. The fiscal year 2014-15 minimum funding guarantee is set at \$66.3 billion, an increase of \$3.1 billion from the revised level included in the Proposed Budget.

For fiscal year 2015-16, the May Revision revises the Proposition 98 minimum funding guarantee at \$68.4 billion, an increase of approximately \$2.7 billion from the level included in the Proposed Budget. Significant adjustments made to education funding in the May Revision include the following:

- *LCFF* – An additional \$2.1 billion in funding to continue implementation of the LCFF, for a total of \$6.1 billion. The May Revision estimates that this would close approximately 53% of the remaining funding gap.
- *Career Technical Education* – An additional \$150 million in fiscal year 2015-16 for the competitive grant initiative that supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. The May Revision also provides additional funding of \$50 million for this initiative in fiscal year 2016-17, and reduces the amount provided in the Proposed Budget for fiscal year 2017-18 by \$25 million.
- *Quality Education Investment Act* – An increase of \$4.6 million in one-time Proposition 98 funding to provide half of the final apportionment of QEIA funding for selected school districts in 2015-16 that do not qualify for concentration grant funding under the LCFF. The funding is intended to ease the transition for those districts with concentrations of EL/LI students that will no longer receive funds under the QEIA.

- *Local Property Tax Adjustments* – Total Proposition 98 funding levels for school districts, special education local plan areas and county offices of education in fiscal years 2014-15 and 2015-16 would reflect reductions to State support equal to \$123.3 million and \$224 million, respectively, to reflect higher offsetting property tax collections.
- *Proposition 39* – A decrease in the amount of funds available under Proposition 39 to K-12 school districts in 2015-16 by \$6.7 million to reflect reduced State corporate tax revenue estimates.
- *Categorical Programs* – A reduction of \$18.4 million in Proposition 98 funding for selected categorical programs, based on updated ADA growth estimates. The May Revision also decreases Proposition 98 funding by \$22.1 million for select categorical programs, to reflect a change in the COLA for such programs from 1.58% (as provided in the Proposed Budget) to 1.02%.
- *K-12 Education Mandates* – An increase of \$1.2 million in Proposition 98 funding to reflect greater school district participation in the education mandates block grant program.
- *Special Education* – The May Revision proposes \$60.1 million of Proposition 98 funding (composed of \$50.1 million of ongoing funding and \$10 million of one-time funds) to implement selected programmatic changes in special education services. The changes are intended to implement recommendations issued by a State taskforce on special education formed in 2013, as well as to make targeted investments designed to improve service delivery and outcomes for disabled students.

For additional information regarding the May Revision, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Actions. The District cannot predict what actions 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. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy ad valorem property taxes upon all taxable property within the District for the payment of principal [and Accreted Value] of and interest on the Bonds would not be impaired.

DESERT SANDS UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Introduction

The Desert Sands Unified School 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, four 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. For fiscal year 2014-15, the District's ADA is expected to be 25,301 students, and taxable property within the District has an assessed valuation of \$34,711,258,841.

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

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 offices and the dates their terms expire, are listed below:

BOARD OF EDUCATION Desert Sands Unified School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Wendy Jonathan	President	December 2016
Matteo Monica III	Vice President/Clerk	December 2016
Michael Duran	Member	December 2018
Donald B. Griffith	Member	December 2018
Gary Tomak	Member	December 2016

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board.

Dr. Garret Rutherford, Superintendent. Dr. Rutherford was appointed as Superintendent to the District, effective as of February 4, 2013. Dr. Rutherford has been an educational leader in California public schools for more than 34 years. Dr. Rutherford’s prior positions include serving as Superintendent of Upland Unified School District and as Superintendent of Huntington Beach City School District. Dr. Rutherford received his doctoral degree in Organizational Leadership from the University of La Verne and also holds a Master’s Degree with a concentration in School District Administration and Special Education from California State University, Los Angeles.

Dr. James Novak, Assistant Superintendent, Business Services. Dr. Novak has served as the Assistant Superintendent, Business Services of the District since July of 2014. Dr. Novak’s previous tenures include serving as the Chief Business and Financial Officer of the Long Beach Unified School District, the Assistant Superintendent, Business Services for the Palm Springs Unified School District, the Assistant Superintendent, Business Services for South San Francisco Unified School District and the Executive Director, Business Operations for the Chelsea School District in Michigan. Dr. Novak received his Bachelor of Arts degree in Business Administration from Wayne State University, his Master of Arts degree in Education Administration from Central Michigan University, and his Doctorate in education from Walden University.

District Growth

The following table reflects the ADA and enrollment for the District for the last five years, and a projection for fiscal year 2014-15.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT⁽¹⁾
Fiscal Years 2009-10 through 2014-15
Desert Sands Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Enrollment⁽²⁾</u>
2009-10	25,781	29,328
2010-11	25,633	29,123
2011-12	25,610	29,199
2012-13	25,432	26,983
2013-14	25,568	26,981
2014-15	25,301	26,715

⁽¹⁾ Reflects P-2 ADA, net of charter school students.

Enrollment for years prior to fiscal 2013-14 is as of October CBEDS report. Fiscal years 2013-14 and 2014-15 certified enrollment as of the fall census day (the first Wednesday in October) reported to CALPADS. See also “DISTRICT FINANCIAL MATTERS – State Funding of Education – Local Control Funding Formula” herein.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the “Charter School Law”). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of

accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District has approved two petitions to establish charter schools within the District: Washington Charter School, which opened in the 1994-95 fiscal year, and Palm Desert Middle Charter School, which opened in July 2008 (collectively, the “Charter Schools”). Approximately 2,236 students are currently enrolled in the Charter Schools. Under the LCFF, charter schools are funded on the basis of target base funding grants per unit of ADA substantially similar to those of school districts. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula.”

The District can make no representations as to whether additional charter schools will be established within the boundaries of the District, the amount of any future transfers of students from the District to charters schools, and the corresponding financing impact on the District.

Labor Relations

District employees, except management, confidential and some part-time employees, are represented by two bargaining units as noted on the following page:

LABOR RELATIONS Desert Sands Unified School District

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
Desert Sands Teachers’ Association (DSTA)	1,352	June 30, 2014 ⁽¹⁾
California School Employees Association (CSEA)	1,076	June 30, 2015 ⁽¹⁾

⁽¹⁾ Members of the DSTA are working under the terms of their expired contract. The District has begun negotiations with CSEA for a new labor contract for fiscal year 2015-16.

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 under a defined benefit program (the “STRS Defined Benefit Program”). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay

actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed legislation described below to increase contribution rates.

Prior to August 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“AB 1469”) in to law as a part of the 2014-15 State Budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before August 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing on August 1, 2014, the employee contribution rates will increase over a three year phase in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
August 1, 2014	8.150%	8.150%
August 1, 2015	9.200	8.560
August 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts’ contribution rate will increase over a seven year phase in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
August 1, 2014	8.88%
August 1, 2015	10.73
August 1, 2016	12.58
August 1, 2017	14.43
August 1, 2018	16.28
August 1, 2019	18.13
August 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter, the STRS Teachers’ Retirement Board (the “STRS Board”) is required to increase or decrease the K-14 school districts’ contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members’ contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State legislature every five years (commencing with a report due on or before August 1, 2019) on the

fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before August 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contribution to STRS were \$8,670,157 in fiscal year 2011-12, \$8,775,695 in fiscal year 2012-13, and \$9,061,469 in fiscal year 2013-14. The District has projected its contribution for fiscal year 2014-15 to be \$10,600,366.

The State also contributes to STRS, currently in an amount equal to 3.454% of teacher payroll for fiscal year 2014-15. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to AB 1469, the State contribution rate will increase over the next three years to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before August 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. 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 provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2013 included 1,580 public agencies and schools (representing more than 2,500 entities). PERS acts as the common investment and administrative agent for the member agencies. The State and school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for school districts throughout the State (the "Schools Pool").

Contributions by employers to the PERS Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2014-15. See "— California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$5,666,126 in fiscal year 2011-12, \$6,114,573 in fiscal year 2012-13, and \$4,509,303 in fiscal year 2013-14. The District has projected its contribution for fiscal year 2014-15 to be \$4,982,310.

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. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

The following table shows information regarding the actuarially-determined accrued liabilities of both STRS and PERS.

**STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2013-14**

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾⁽³⁾</u>	<u>Value of Trust Assets (AVA) ⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽⁴⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾</u>	<u>Value of Trust Assets (AVA) ⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽⁴⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14 ⁽⁵⁾	65,600	56,838	8,761	-- ⁽⁶⁾	-- ⁽⁶⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets.

⁽³⁾ Excludes assets allocated to the SBPA reserve.

⁽⁴⁾ Reflects actuarial value of assets.

⁽⁵⁾ On April 14, 2015, the PERS Finance & Administration Committee approved the K-14 school district contribution rate for fiscal year 2015-16 and released certain actuarial information to be incorporated into the June 30, 2014 actuarial valuation to be released in summer 2015.

⁽⁶⁾ Figures not provided.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2014, the future revenue from contributions and appropriations for the STRS Defined Benefit Program is projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The PERS Board has delayed the implementation of the new actuarial policies until fiscal year 2015-16 for the State, K-14 school districts and all other public agencies.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District’s required contributions to PERS will not increase in the future.

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based

on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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 CalSTRS or CalPERS 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 provides supplemental income to eligible employees. Annuities have been purchased for ___ employees, and are paid over a five-year period. The accumulated future liability for the District for the SERP, as of July 1, 2014, amounted to \$2,087,753.

Other Post-Employment Benefits

Program Benefits. The District operates a defined benefit health care program (the “Program”) that provides medical benefits to eligible retirees and their spouses. Membership of the Program, as of June 30, 2014, consisted of 200 retirees and beneficiaries currently receiving benefits and 2,175 active Program members.

Funding Policy. The contribution requirements of employees and the District are established and amended by the District, its bargaining units, and unrepresented groups on an annual basis. The District’s contribution is currently based on a “pay-as-you-go” basis to cover the cost of benefits for current retirees. For fiscal year 2013-14, the District contributed \$2,738,111 to the Program, all of which was used for premiums. The District has budgeted its contribution for fiscal year 2014-15 at \$3,148,027.

Accrued Liability. The District has implemented Governmental Accounting Standards Board (“GASB”) Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which 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., concluded that the District’s total unfunded actuarial accrued liability (the “AAL”) for such benefits, as of the April 1, 2015 valuation date, was \$79,315,228, and that the District’s annual required contribution (“ARC”) in respect of such benefits, beginning April 1, 2015, was \$8,802,098. The ARC is the amount that would be necessary to fund of the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”), and to amortize the AAL in accordance with GASB Statements Nos. 43 and 45.

As of June 30, 2014, the District recognized a long-term balance sheet liability (the “Net OPEB Obligation”) with respect to Program benefits of \$18,438,304, based on its contributions towards the actuarially-determined ARC during fiscal year 2013-14, and as adjusted for interest on the prior year’s Net OPEB Obligation and any other adjustments to the ARC. See Appendix B – “2013-14 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12” herein.

Risk Management

The District is exposed to various risks related to torts, theft, damage and destruction of assets, errors and omissions, personal injuries, natural disasters, general liability, workers' compensation and employee benefits. These risks are addressed through a combination of commercial insurance, self-insurance (for workers' compensation only), and participation in certain public entity risk pools, as described below.

The District is a member of the Riverside Schools' Insurance Authority and the Riverside County Employer/Employee Partnership for Benefits joint powers authorities (each a "JPA") for purposes of property and liability insurance coverage, and the California's Valued Trust (the "Trust") for purposes of health and welfare coverage. The District pays an annual premium to each entity for its property, liability, and health and welfare coverage, respectively. The JPAs are each governed by a board consisting of representatives from member districts. Each governing board controls the operations of its JPA, including selection of management approval of operating budgets, independent of any influence by the member districts beyond the District's representation on the governing boards. The Trust is governed by a board of trustees consisting of management and labor representatives appointed by their respective constituents. The trustees control the operations of the trust including management approval of operating budgets, independent of any influence by the member districts. Member districts share surpluses and deficits proportionally to their participation in the JPAs and the Trust. The relationships between the District, the JPAs and the Trust are such that none are considered component units of the District for financial reporting purposes.

There are a number of claims pending against the District. In the opinion of the District, the related liability, if any, stemming from these claims will not materially affect the financial condition of the District. Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage. See also Appendix B – "2013-14 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" and "—Note 16" herein.

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District Debt Structure

Long-Term Debt. A schedule of changes of the District in long-term debt for the year ended June 30, 2014, is shown below:

OUTSTANDING LONG TERM DEBT⁽¹⁾
As of June 30, 2014
Desert Sands Unified School District

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions and</u> <u>Adjustments</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
2004 Series A General Obligation Bonds	\$4,115,000	--	\$4,115,000	--
2006 Series General Obligation Bonds	30,420,000	--	1,525,000	\$28,895,000
2006 General Obligation Refunding Bonds	52,748,303	\$4,921,254	22,090,000	35,579,557
2008 Series General Obligation Bonds	100,000,000	--	405,000	99,595,000
2012 Series General Obligation Bonds	74,000,000	--	--	74,000,000
2013 Series A General Obligation Refunding Bonds	52,355,000	--	--	52,355,000
2013 Series B General Obligation Refunding Bonds	9,900,000	--	135,000	9,765,000
Premium on Issuance	18,618,475	--	1,021,006	17,597,469
2008 Series Certificates of Participation	40,290,000	--	2,800,000	37,490,000
2012 Refunding Certificates of Participation	11,500,000	--	1,440,000	10,060,000
2014 Series Certificates of Participation	--	18,895,000	--	18,895,000
Premium on Issuance	1,633,327	1,444,677	312,182	2,765,822
Capital leases	27,549	12,187,325	27,549	12,187,325
PARS Retirement Program	3,827,639	134,173	1,874,059	2,087,753
Accumulated vacation (net)	753,860	9,521	--	763,381
Workers' Compensation IBNR ⁽¹⁾	6,900,820	365,884	--	7,266,704
Net OPEB Obligation ⁽²⁾	<u>14,525,574</u>	<u>7,331,253</u>	<u>3,418,523</u>	<u>18,438,304</u>
Total	<u>\$421,615,547</u>	<u>\$45,289,087</u>	<u>\$39,163,319</u>	<u>\$427,741,315</u>

⁽¹⁾ Does not include special assessment debt associated with the District CFD (defined herein) bonds, pursuant to GASB statement No. 6. See “—Community Facilities District Bonds” herein.

⁽²⁾ Reflects liabilities associated with certain workers' compensation claims, including an amount for claims that have been incurred but not reported (“IBNR”).

⁽³⁾ 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” herein.

Source: *Desert Sands Unified School District.*

Community Facilities District Bonds. The District has formed a community facilities improvement district (“CFD”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code) for the purpose of raising funds for the construction and acquisition of various public school improvements within the CFD. On June 22, 2000, the CFD issued \$2,285,00 of its special tax bonds (“Special Tax Bonds”) payable from a special tax (the “Special Tax”) to be levied on all taxable parcels within the CFD, pursuant to a rate and method of apportionment of special taxes (the “RMA”) approved by registered voters of the CFD. The Special Tax Bonds are special obligations of the CFD, payable solely from the net proceeds of the Special Tax levied within the CFD. The District's general fund is not a source of payment for the Special Tax Bonds. The CFD has covenanted to levy in each year an amount of Special Taxes at least equal to (i) any amounts necessary to fund specified administration costs of the CFD, and (ii) 110% of the debt service coming due on the Special Tax Bonds in such year. The Special Tax Bonds mature on September 1, 2025, and are currently outstanding in a principal amount equal to \$_____.

Equipment Lease. On May 23, 2014, the District executed and delivered a Master Equipment Lease-Purchase Agreement (the “Equipment Lease”) pursuant to which the District is financing the acquisition of certain solar equipment for installation at various school sites. The Equipment Lease is payable from semi-annual rent payments to be made thereunder, and for which the District is required to appropriate sufficient funds in each fiscal year. Rent payments are payable from any legally available source, and are expected to be paid principally from Tax-Increment Revenue received from certain Successor Agencies. See “DISTRICT FINANCIAL MATTERS – Other Revenue Sources – Tax Increment Revenue” herein. Rent payments payable under the Equipment Lease evidence principal in the amount of \$12,187,324.68, with interest with respect thereto accruing at a rate of 1.70%.

The following table shows future rent payments payable under the Equipment Lease.

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Rent Payments</u>
February 1, 2016	\$1,168,474.53	\$94,560.15	\$1,263,034.68
June 1, 2016	1,189,603.15	84,628.12	1,274,231.27
February 1, 2017	1,199,714.78	74,516.49	1,274,231.27
June 1, 2017	1,221,825.65	64,318.91	1,286,144.56
February 1, 2018	1,232,211.17	53,933.40	1,286,144.56
June 1, 2018	1,255,358.10	43,459.60	1,298,817.70
February 1, 2019	1,266,028.64	32,789.06	1,298,817.70
June 1, 2019	1,290,270.09	22,027.81	1,312,297.90
February 1, 2020	1,301,237.38	11,060.52	1,312,297.90

Certificates of Participation. On October 24, 2008, the District executed and delivered the 2008 Certificates, evidencing principal in the amount of \$54,505,000, for the purpose of financing the modernization, repair and equipping of Indio High School and Palm Desert High School. On December 13, 2012, the District executed and delivered its Refunding Certificates of Participation (the “2012 Certificates”), evidencing principal in the amount of \$13,000,000, to refund certain other then-outstanding certificates of participation. On June 25, 2014, the District executed and delivered its Certificates of Participation (2014 Financing Project) (the “2014 Certificates”), evidencing principal in the amount of \$18,895,000, to financing additional construction at Indio High School.

Each of the foregoing certificates of participation issuances evidences fractional and undivided interests in the right to receive certain lease payments, and any prepayments thereof, to be made by the District pursuant to lease-purchase agreements (each “Lease”) by and between the District and the Desert Sands Unified School District School Building Corporation. Such lease payments are designed to pay, when due, the principal and interest with respect to each such issuance of certificates of participation. The District has covenanted in each Lease that it will take such action as may be necessary to include such lease payments and other payments due under such Lease in its annual budgets and to make the necessary annual appropriations therefor.

The table on the following page summarizes future annual lease payment requirements of the District with respect its outstanding certificates of participation, including the 2015 Certificates (and assuming no extraordinary prepayments or future optional prepayments).

ANNUAL LEASE PAYMENTS – CERTIFICATES OF PARTICIPATION*
Desert Sands Unified School District

Year Ending March 1	2008 Certificates⁽¹⁾	2012 Certificates	2014 Certificates	2015 Certificates	Total Annual Lease Payments
2016	\$4,998,300.00	\$1,968,750.00	\$1,715,031.26		
2017	4,995,812.50	1,986,750.00	1,715,831.26		
2018	4,998,062.50	1,980,000.00	1,715,031.26		
2019	4,997,062.50	1,979,500.00	1,712,631.26		
2020	4,997,562.50	1,989,750.00	1,713,631.26		
2021	4,996,362.50		1,711,381.26		
2022	4,996,650.00	--	1,711,381.26		
2023	4,998,712.50	--	1,711,981.26		
2024	4,996,687.50	--	1,716,231.26		
2025	--	--	1,711,981.26		
2026	--	--	1,713,981.26		
2027	--	--	1,713,681.26		
2028	--	--	1,715,087.50		
2029	--	--	<u>1,712,925.00</u>		
	<u>\$44,975,212.5</u>	<u>\$9,904,750</u>	<u>\$23,990,787.62</u>		

* Preliminary, subject to change.

(1) Includes lease payments evidencing principal and interest expected to be refinanced with proceeds of the 2015 Certificates.

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 has issued four series of bonds comprising the entirety of the 2001 Authorization, as well as two series of refunding bonds to refund outstanding portions thereof. Pursuant to the 2014 Authorization, the voters of the District approved the issuance of \$225,000,000 of general obligation bonds. The 2015 Bonds are the first issuance of bonds under the 2014 Authorization.

The following table summarizes the District’s prior bond issuances, not including the Bonds.

General Obligation Bonded Debt

Issuance	Initial Principal Amount	Principal Outstanding⁽¹⁾	Date of Delivery
Series 2006	\$130,000,000.00	\$	June 23, 2006
Series 2008	100,000,000.00		November 18, 2008
Series 2012	74,000,000.00		December 13, 2012
2006 Refunding Bonds	99,168,983.60		June 23, 2006
2013 Refunding Bonds	62,255,000.00		June 5, 2013

⁽¹⁾ As of _____, 2015. Includes the Refunding Bonds. Following the application of the proceeds of the Refunding Bonds as described in “THE BONDS – Application and Investment of Bond Proceeds – Refunding Bonds,” the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment of the Refunded Bonds will terminate.

The following tables display the annual debt service requirements of the District for all of its outstanding general obligation bonds (and assuming no optional redemptions).

**ANNUAL DEBT SERVICE*
GENERAL OBLIGATION BONDS⁽¹⁾
Desert Sands Unified School District**

Period Ending Aug. 1	Series 2006 Bonds⁽²⁾	2006 Refunding Bonds	Series 2008 Bonds	Series 2012 Bonds	2013 Refunding Bonds	The Bonds	Total Annual Debt Service
2014	\$2,997,196.26	\$22,090,000.00	\$6,020,200.00	\$2,697,950.00	\$2,935,718.65		
2015	3,212,383.76	26,805,000.00	5,612,200.00	2,697,950.00	2,935,697.00		
2016	3,438,415.00	13,230,000.00	9,557,700.00	3,947,950.00	2,934,537.80		
2017	2,158,740.00	--	9,749,950.00	6,355,450.00	4,443,378.60		
2018	2,252,740.00	--	9,942,875.00	6,354,600.00	4,588,572.20		
2019	2,344,740.00	--	10,142,725.00	6,357,400.00	4,744,014.60		
2020	1,079,490.00	--	10,343,825.00	6,354,000.00	6,269,063.60		
2021	1,079,490.00	--	10,555,700.00	6,354,400.00	6,531,813.60		
2022	1,079,490.00	--	10,764,225.00	6,353,200.00	6,808,006.00		
2023	1,079,490.00	--	10,978,087.50	6,360,200.00	7,090,000.00		
2024	1,079,490.00	--	11,200,450.00	6,354,300.00	7,383,250.00		
2025	3,409,490.00	--	11,425,700.00	6,353,100.00	5,363,500.00		
2026	3,527,990.00	--	11,651,950.00	6,354,300.00	5,556,250.00		
2027	3,655,000.00	--	11,882,700.00	6,352,500.00	5,755,250.00		
2028	3,779,500.00	--	12,121,950.00	6,356,250.00	5,964,250.00		
2029	3,910,750.00	--	--	6,354,250.00	6,181,750.00		
2030	4,047,750.00	--	--	6,354,800.00	6,406,250.00		
2031	4,189,500.00	--	--	6,355,100.00	6,641,250.00		
Total	<u>\$48,321,645.02</u>	<u>\$62,125,000.00</u>	<u>\$151,950,237.50</u>	<u>\$104,667,700.00</u>	<u>\$98,532,552.05</u>		

* Preliminary, subject to change.

⁽¹⁾ The 2006 Refunding Bonds and 2013 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. Interest on all other bonds is payable on February 1 and August 1 of each year, with principal maturing on August 1 of each year as indicated.

⁽²⁾ Includes debt service on the Refunded Bonds expected to be refunded with proceeds of the Refunding Bonds.

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 the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner’s basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds 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 Bonds to assure that interest (and original issue discount) on the Bonds 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 (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner’s original basis for determining loss on sale or exchange in the applicable Bond (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 Bond Owner’s basis in the applicable Bond (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 Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond 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 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). 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 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, 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 INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF BONDS, 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 BONDS.

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 Resolution and the Tax Certificate relating to the Bonds 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 (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond 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 (and original issue discount) on the Bonds 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 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds 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 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Copies of the proposed forms of opinions of Bond Counsel are attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, 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 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 bondholder 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.

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2014-15 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. [TO COME].

No Litigation

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

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2014, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated October 14, 2014 of Vavrinek, Trine, Day & Co., LLP (the “Auditor”), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, 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.

Legal Opinion

The legal opinions of Bond Counsel, approving the validity of each respective series of the Bonds, will be supplied to the respective original purchasers thereof without cost. Copies of the proposed forms of such legal opinions are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of “___” by Moody’s and “___” by S&P. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody’s, 7 World Trade Center at 250 Greenwich, New York, NY 10007 and Standard & Poor’s Ratings Services, 55 Water Street, 45th Floor, New York, NY 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notices of any ratings changes on the Bonds. See “APPENDIX C - FORM OF CONTINUING DISCLOSURE” attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Purchase of Bonds. RBC Capital Markets, LLC (the “Underwriter”) has agreed to purchase all of the 2015 Bonds for a purchase price of \$_____ (which is equal to the principal amount of the 2015 Bonds of \$_____, plus net original issue premium of \$_____, and less an underwriting discount of \$_____). The Underwriter has agreed to purchase all of the Refunding Bonds for a purchase price of \$_____ (which is equal to the principal amount of the Refunding Bonds of \$_____, plus net original issue premium of \$_____, and less an underwriting discount of \$_____).

The purchase contracts for the Bonds provide that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contracts, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Underwriter Disclosures. The Underwriter has provided the following information for inclusion in this Official Statement.

The Underwriter made a contribution to the campaign committee formed to support the election that authorized the Refunded Bonds.

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The

Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of the offering of the Bonds or other offerings of the District; provided, however, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as contained in the Official Statement.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their 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 in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

DESERT SANDS UNIFIED SCHOOL DISTRICT

By: _____
Dr. Garrett Rutherford
Superintendent

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the Series 2015 Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Series 2015 Bonds substantially in the following form:

_____, 2015

Board of Education
Desert Sands Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Desert Sands Unified School District General Obligation Bonds, Election of 2014, Series 2015 (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the Desert Sands Unified School District (the "District") voting at an election held on November 4, 2014, and resolutions of the Board of Education of the District and the Board of Supervisors of Riverside County (collectively, the "Resolution").
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the federal income tax liability of corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will

accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6 The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (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 Bond Owner's basis in the applicable Bond (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 Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds 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 Bonds 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 (and original issue discount) for federal income tax purposes with respect to any Bond 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 Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are 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 Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds 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 Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject 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

Upon issuance and delivery of the Refunding Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Refunding Bonds substantially in the following form:

_____, 2015

Board of Education
Desert Sands Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Desert Sands Unified School District 2015 General Obligation Refunding Bonds (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the "Act"), and a resolution of the Board of Education of the Desert Sands Unified School District (the "Resolution").
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the federal income tax liability of corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6 The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (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 Bond Owner's basis in the applicable Bond (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 Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds 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 Bonds 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 (and original issue discount) for federal income tax purposes with respect to any Bond 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 Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are 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 Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds 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 Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject 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 B

2013-14 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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 of (i) \$_____ of the District’s General Obligation Bonds, Election of 2014, Series 2015 and (ii) \$_____ of the District’s 2015 General Obligation Refunding Bonds (collectively, the “Bonds”). The Bonds are being issued pursuant to resolutions of the Board of Education of the District adopted on June 16, 2015 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially _____, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement dated as of _____, 2015 and relating to the Bonds.

“Participating Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“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.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2014-15 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

- (e) The assessed valuation of taxable property within the District for the last completed fiscal year; and
- (f) Secured tax levy collections and delinquencies within the District for the last completed fiscal year, except to the extent the Teeter Plan, as adopted by Riverside County, applies to both the 1% general purpose *ad valorem* property tax levy and to the tax levy for general obligation bonds of the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds 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. adverse tax opinions, 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 of the District. For the purposes of the event identified in this Section 5(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 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled Bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
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 Bonds 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 5(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 5(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 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute 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 may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. 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 and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust

business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. 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 gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: _____, 2015

DESERT SANDS UNIFIED SCHOOL DISTRICT

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: DESERT SANDS UNIFIED SCHOOL DISTRICT

Bond Issue(s): General Obligation Bonds, Election of 2014, Series 2015
2015 General Obligation Refunding Bonds

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DESERT SANDS UNIFIED SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

ECONOMIC AND DEMOGRAPHIC PROFILE OF THE CITIES OF INDIO, LA QUINTA AND PALM DESERT AND THE COUNTY OF RIVERSIDE

Approximately 72% of the District lies within the boundaries of the Cities of Indio (“Indio”), La Quinta (“La Quinta”) and Palm Desert (“Palm Desert,” and together with Indio and La Quinta, the “Cities”). The following information concerning the Cities and the County of Riverside (the “County”) is included only for the purpose of supplying general information thereof. The Bonds are not obligations of either the Cities or the County, and do not represent a lien or charge against any funds or property thereof. The following information is provided only to give prospective investors an overview of the general economic condition of the Cities, County and the State of California (the “State”).

General

The County of Riverside is the fourth largest county in 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 county with its seat located in the city of Riverside.

The City of Indio is located in the Coachella Valley, approximately 120 miles east of the City of Los Angeles. Initially a railroad town, Indio initially developed an agricultural economy and, more recently, has largely become a residential and recreational area. Indio operates under a city council-city manager form of government with five elected members of the city council that appoint a city manager and city attorney.

The City of La Quinta is surrounded by the Santa Rosa Mountains and located between the City of Indian Wells and Indio. La Quinta was incorporated on May 1, 1982, became a charter city in 1996 and has a Council-Manager form of government with the City Manager appointed by the City Council. The City Council is composed of five members elected at-large and serve four-year staggered terms, residents elect the Mayor and four Council members.

The City of Palm Desert borders Indio on its eastern side. The first development in the area was the result of an Army maintenance camp that quickly developed into a major shopping area. The Palm Desert experienced rapid population growth from the 1980s through the 2000s. Palm Desert is a general law city with a five-member city council that appoints the mayor.

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Population

The following table summarizes population estimates of the Cities, County and State for years 2004 through 2015.

POPULATION ESTIMATES City of Indio, City of La Quinta, City of Palm Desert, County of Riverside and the State of California 2004 through 2015

<u>Year⁽¹⁾</u>	<u>City of Indio</u>	<u>City of La Quinta</u>	<u>City of Palm Desert</u>	<u>Riverside County</u>	<u>State of California</u>
2004	56,655	30,110	43,899	1,814,485	35,570,847
2005	62,024	32,558	47,422	1,895,695	35,869,173
2006	66,670	33,987	47,270	1,975,913	36,116,202
2007	70,948	35,792	46,867	2,049,902	36,399,676
2008	74,007	36,744	47,453	2,102,741	36,704,375
2009	74,590	37,116	47,993	2,140,626	36,966,713
2010	75,263	37,044	48,215	2,179,692	37,223,900
2011	76,816	37,690	48,925	2,205,731	37,427,946
2012	78,124	38,107	49,517	2,229,467	37,680,593
2013	81,320	38,369	49,918	2,253,516	38,030,609
2014	82,375	39,023	50,424	2,280,191	38,357,121
2015	84,201	39,694	51,053	2,308,441	38,714,725

⁽¹⁾ As of January 1.

Source: California State Department of Finance, Demographic Research Unit. Years 2011-2015 with March 2010 Benchmark.

Personal Income

The following tables summarize annual personal income and per capita personal income for the County, State of California and United States during years 2005 through 2013.

PERSONAL INCOME County of Riverside, State of California, and United States 2005 through 2013

<u>Year</u>	<u>County of Riverside</u>	<u>California</u>	<u>United States</u>
2005	\$55,892,377	\$1,395,992,214	\$10,605,595,000
2006	61,110,773	1,499,308,841	11,376,405,000
2007	64,194,014	1,564,289,335	11,990,104,000
2008	65,140,132	1,596,229,973	12,429,234,000
2009	63,652,627	1,537,094,676	12,080,223,000
2010	65,219,337	1,578,553,439	12,417,659,000
2011	69,757,415	1,685,635,498	13,189,935,000
2012	73,685,111	1,805,193,769	13,873,161,000
2013	76,289,477	1,856,614,186	14,151,427,000

Note: Dollars in Thousands.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Riverside, State of California, and United States
2005 through 2013

<u>Year</u>	<u>County of Riverside</u>	<u>California</u>	<u>United States</u>
2005	\$28,933	\$38,964	\$35,888
2006	30,368	41,623	38,127
2007	30,934	43,152	39,804
2008	30,876	43,608	40,873
2009	29,651	41,587	39,379
2010	29,612	42,282	40,144
2011	31,196	44,749	42,332
2012	32,534	47,505	44,200
2013	33,278	48,434	44,765

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Industry

The District is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”). The distribution of employment in the MSA is presented in the following table for calendar years 2009 through 2014. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends within the communities served by the District.

INDUSTRY EMPLOYMENT & LABOR FORCE
Riverside-San Bernardino-Ontario Metropolitan Statistical Area
2009 through 2014⁽¹⁾

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Farm	14,900	15,000	14,900	15,000	14,500	14,300
Mining and Logging	1,100	1,000	1,000	1,200	1,200	1,300
Construction	68,000	59,700	59,100	62,600	70,000	77,000
Manufacturing:	88,800	85,200	85,100	86,700	87,300	90,200
Service Providing:						
Wholesale Trade	49,000	48,700	49,200	52,200	56,400	59,000
Retail Trade	156,200	155,500	158,500	162,400	164,800	168,700
Transportation, Warehousing & Utilities	66,800	66,600	68,800	73,900	79,400	87,300
Information	14,100	14,000	12,200	11,700	11,500	11,200
Financial Activities	42,500	41,000	39,900	40,900	42,200	42,700
Professional & Business Services	125,300	123,600	126,000	127,500	132,400	137,800
Education & Health Services	155,000	154,100	157,600	167,200	184,500	193,600
Leisure & Hospitality	123,800	122,800	124,000	129,400	135,900	144,300
Other Services	37,300	38,200	39,100	40,100	41,100	43,200
Government	<u>235,200</u>	<u>234,300</u>	<u>227,500</u>	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>
Total (all industries)	1,178,100	1,159,700	1,162,900	1,195,300	1,246,400	1,299,500

⁽¹⁾ Annual averages, unless otherwise specified.

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2014 Benchmark.

Employment

The following table summarizes Annual Average Labor Force data for the Cities, County and State during years 2009 through 2014.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Indio, City of La Quinta, City of Palm Desert, County of Riverside and State of California 2009 through 2014⁽¹⁾

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate</u>
2009	City of Indio	27,500	23,500	4,000	14.5%
	City of La Quinta	14,700	13,700	1,000	7.1
	City of Palm Desert	25,000	23,000	2,000	8.0
	County of Riverside	915,800	795,800	120,000	13.1
	California	18,215,100	16,182,600	2,032,600	11.2
2010	City of Indio	35,200	30,000	5,200	14.9
	City of La Quinta	16,200	14,700	1,500	9.0
	City of Palm Desert	21,500	19,300	2,200	10.1
	County of Riverside	976,200	841,100	135,200	13.8
	State of California	18,336,300	16,091,900	2,244,300	12.2
2011	City of Indio	35,200	30,200	5,000	14.2
	City of La Quinta	16,300	14,900	1,400	8.5
	City of Palm Desert	21,600	19,500	2,100	9.5
	County of Riverside	978,200	849,400	128,800	13.2
	State of California	18,419,500	16,260,100	2,159,400	11.7
2012	City of Indio	35,600	31,100	4,500	12.5
	City of La Quinta	16,500	15,300	1,200	7.5
	City of Palm Desert	21,900	20,100	1,800	8.4
	County of Riverside	989,100	873,900	115,200	11.6
	State of California	18,554,800	16,630,100	1,924,700	10.4
2013	City of Indio	35,900	32,000	3,800	10.7
	City of La Quinta	16,800	15,800	1,100	6.3
	City of Palm Desert	22,300	20,700	1,600	7.1
	County of Riverside	998,600	899,800	98,800	9.9
	State of California	18,671,600	17,002,900	1,668,700	8.9
2014	City of Indio ⁽⁴⁾	n/a	n/a	n/a	n/a
	City of La Quinta ⁽⁴⁾	n/a	n/a	n/a	n/a
	City of Palm Desert ⁽⁴⁾	n/a	n/a	n/a	n/a
	County of Riverside	1,010,700	927,300	83,400	8.2
	State of California	18,811,400	17,397,100	1,414,300	7.5

⁽¹⁾ Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

⁽²⁾ Includes persons involved in labor-management trade disputes.

⁽³⁾ Includes all persons without jobs who are actively seeking work.

⁽⁴⁾ Information for year 2014 not available.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2014 Benchmark.

Largest Employers

The following tables list the largest employers located in the County and Cities as of June 30, 2014.

LARGEST EMPLOYERS County of Riverside As of June 30, 2014

<u>Name of Employer</u>	<u>Employees</u>
County of Riverside	19,916
March Air Reserve Base	8,500
Stater Brothers Market	6,900
U.C. Riverside	5,514
Kaiser Permanente Riverside Medical Center	5,270
Pechanga Resort and Casino	4,500
Corona-Norco Unified School District	4,300
Walmart	4,608
Riverside Unified School District	4,000
Hemet Valley Unified School District	3,572

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2014.

LARGEST EMPLOYERS City of Indio As of June 30, 2014

<u>Name of Employer</u>	<u>Employees</u>
County of Riverside	1,295
Fantasy Springs Casino	1,100
Desert Sands Unified School District ⁽¹⁾	1,057
John F. Kennedy Memorial Hospital	518
City of Indio	224
Cardenas Market	165
Target	150
Home Depot	133
Firsta Ford/Lincoln	133
Ralph's	130

⁽¹⁾ For updated information regarding the District's employee counts, see "DESERT SANDS UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.

Source: City of Indio 'Comprehensive Annual Financial Report' for the year ending June 30, 2014.

LARGEST EMPLOYERS
City of La Quinta
As of June 30, 2014

<u>Name of Employer</u>	<u>Employees</u>
La Quinta Resort and Club	1,250
PGA West	1,198
Desert Sands Unified School District	1,180
Wal-Mart Super Center	352
Costco	246
Rancho La Quinta	175
Home Depot	168
Lowe's Home Improvement	153
Imperial Irrigation District	142
Stater Brothers	114
Vons	99

Source: City of La Quinta 'Comprehensive Annual Financial Report' for the year ending June 30, 2014.

LARGEST EMPLOYERS
City of Palm Desert
As of June 30, 2014

<u>Name of Employer</u>	<u>Employees</u>
JW Marriot-Desert Springs Resort & DS Villas	2,304
Universal Protection Services	1,500
Securitas-Security Service USA	700
Avida Caregivers- P. Desert	550
Sunshine Landscape	500
Bighorn Golf Club	250
Costco	250
Westin-Desert Willow	248
Time Warner Cable	236
Marriott Shadow Ridge	208

Source: City of Palm Desert 'Comprehensive Annual Financial Report' for the year ending June 30, 2014.

Taxable Sales

The following tables summarize annual taxable sales data in the County and Cities for years 2007 through 2013.

ANNUAL TAXABLE SALES County of Riverside 2007 through 2013 (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	22,918	\$21,242,516	45,279	\$29,023,609
2008	23,604	18,689,249	46,272	26,003,595
2009	29,829	16,057,488	42,765	22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467

Note: In 2009, retail permits expanded to include permits for food services.

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

ANNUAL TAXABLE SALES City of Indio 2007 through 2013 (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	1,048	\$616,177	2,132	\$766,341
2008	1,153	539,400	2,260	673,527
2009	1,651	460,477	2,065	566,670
2010	2,160	481,228	2,636	582,332
2011	2,240	534,873	2,750	650,281
2012	2,206	606,582	2,740	724,256
2013	2,040	670,393	2,592	806,604

Note: In 2009, retail permits expanded to include permits for food services.

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

ANNUAL TAXABLE SALES
City of La Quinta
2007 through 2013
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	507	\$735,647	1,070	\$826,488
2008	561	644,113	1,151	731,831
2009	789	552,468	1,106	623,012
2010	831	563,456	1,161	633,545
2011	891	609,077	1,228	680,382
2012	937	638,047	1,294	710,127
2013	920	654,275	1,254	731,325

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

ANNUAL TAXABLE SALES
City of Palm Desert
2007 through 2013
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	1,627	\$1,375,037	3,129	\$1,593,698
2008	1,736	1,227,615	3,227	1,447,663
2009	2,202	1,038,073	2,945	1,213,935
2010	2,341	1,091,059	3,089	1,266,834
2011	2,410	1,182,576	3,148	1,384,208
2012	2,400	1,242,899	3,145	1,470,982
2013	2,257	1,283,310	3,001	1,530,512

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Building Activity

The following tables summarize new building permits and valuations in the County and Cities for years 2010 through 2014.

BUILDING PERMITS AND VALUATIONS County of Riverside 2010 through 2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000):					
Residential	\$1,079,637	\$873,411	\$1,079,405	\$1,375,593	\$1,621,751
Non-residential	<u>539,379</u>	<u>559,398</u>	<u>657,595</u>	<u>873,977</u>	<u>814,990</u>
Total*	\$1,619,016	\$1,432,809	\$1,737,000	\$2,249,570	\$2,436,741
Residential Units:					
Single family	4,031	2,659	3,720	4,716	5,007
Multiple family	<u>526</u>	<u>1,061</u>	<u>909</u>	<u>1,427</u>	<u>1,931</u>
Total	4,557	3,720	4,629	6,143	6,938

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS City of Indio 2010 through 2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000):					
Residential	\$37,959	\$35,380	\$38,931	\$66,127	\$90,669
Non-residential	<u>8,992</u>	<u>17,847</u>	<u>8,860</u>	<u>30,680</u>	<u>32,660</u>
Total*	\$46,951	\$53,227	\$47,791	\$96,807	\$123,329
Residential Units:					
Single family	251	214	189	348	516
Multiple family	<u>0</u>	<u>0</u>	<u>89</u>	<u>124</u>	<u>0</u>
Total	251	214	278	472	516

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS City of La Quinta 2010 through 2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000):					
Residential	\$20,061	\$15,480	\$39,114	\$34,030	\$69,420
Non-residential	<u>36,754</u>	<u>39,382</u>	<u>14,387</u>	<u>3,873</u>	<u>11,202</u>
Total*	\$56,815	\$54,862	\$53,501	\$37,903	\$80,622
Residential Units:					
Single family	79	41	67	117	177
Multiple family	<u>0</u>	<u>0</u>	<u>176</u>	<u>0</u>	<u>111</u>
Total	79	41	243	117	288

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Palm Desert
2010 through 2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000):					
Residential	\$35,492	\$51,346	\$70,457	\$68,339	\$110,638
Non-residential	<u>24,032</u>	<u>32,845</u>	<u>11,460</u>	<u>40,036</u>	<u>24,252</u>
Total*	\$59,524	\$84,191	\$81,917	\$108,375	\$134,890
Residential Units:					
Single family	74	86	99	137	199
Multiple family	<u>22</u>	<u>22</u>	<u>72</u>	<u>64</u>	<u>122</u>
Total	96	108	171	201	321

Note: Totals may not add to sums because of rounding.

Source: *Construction Industry Research Board.*

APPENDIX E

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Pooled Investment Fund (the “Treasury Pool”) has been provided by the Treasurer, and has not been confirmed or verified by the District or the Underwriter. The District and the Underwriter has not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter make any representation 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. Additional information regarding the Treasury Pool may be obtained from the Treasurer at www.countytreasurer.org; however, the information presented on such website is not incorporated herein by any reference.

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