## (FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

______________________________________________________________________

______________________________________________________________________

______________________________________________________________________

(Name, Address, and Tax Identification or Social Security Number of Assignee)

the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) ______________________________________________ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: ____________________

Signature Guaranteed:

______________________________

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

______________________________

Note: The signature(s) on this Assignment must correspond with the names as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

## FORM OF CONVERTIBLE CAPITAL APPRECIATION BOND

**R-___** **$__________**

**UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE BOND RESOLUTION) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

**UNITED STATES OF AMERICA**
**STATE OF CALIFORNIA**
**COUNTY OF RIVERSIDE**

**DESERT SANDS UNIFIED SCHOOL DISTRICT**
**GENERAL OBLIGATION BONDS, ELECTION OF 2001, SERIES 2012**

| ACCRETION RATE TO CONVERSION DATE | CONVERSION DATE | INTEREST RATE AFTER THE CONVERSION DATE | MATURITY DATE: | DATED DATE: | CUSIP |
|---|---|---|---|---|---|
| __________ | _______, 20__ | _______ | ________, 20__ | _______, 2012 | |

REGISTERED OWNER: CEDE & CO.

DENOMINATIONAL AMOUNT:

CONVERSION VALUE :

The Desert Sands Unified School District (the "District") in Riverside County, California (the "County") for value received, promises to pay to the Registered Owner named above, or registered assigns, the Conversion Value on the Maturity Date, each as stated above, such Conversion Value comprising the principal amount and interest accreted thereon to the Conversion Date. Prior to the Conversion Date, this bond will not bear current interest but will accrete interest, compounded on each February 1 and August 1, commencing February 1, 2013, at the Accretion Rate specified above to the Conversion Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the principal amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months. After the Conversion Date, the District promises to pay to the Registered Owner named above, interest on the Conversion Value from the Conversion Date until the Conversion Value is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year (the "Bond Payment Dates"), commencing February 1, 2013. This bond will bear such interest from the Bond Payment Date next preceding the date of authentication hereof 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 the Bond Payment date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before ______ 15, 20__, in which event it will bear interest from the Conversion Date. Conversion Value and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the register maintained by the Paying Agent, initially U.S. Bank National Association. Accreted Value and redemption premium, if any, are payable upon presentation and surrender of this bond at the principal office of the Paying Agent.

This bond is one of an authorization of $__________ of bonds approved to raise money for the purposes authorized by voters of the District at the Election, defined below; and to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite two-thirds vote of the qualified electors of the District cast at an election held on November 6, 2001 (the "Election"), upon the question of issuing bonds in the amount of $450,000,000 and resolutions of the Board of Education of the District adopted on September 18, 2012 and by the Board of Supervisors of the County on October 16, 2012 (collectively, the "Bond Resolution"). This bond is being issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. This bond and the issue of which this bond is one are general obligations of the District payable as to both principal and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount in accordance with California Education Code Sections 15250 and 15252.

[The bonds of this issue comprise (i) $________ principal amount of Current Interest Bonds, (ii) Capital Appreciation Bonds of which $________ represents the Denominational Amount and $______ represents the Maturity Value, and (iii) Convertible Capital Appreciation Bonds, of which this bond is a part, and of which $_________ represents the Denominational Amount and $_________ represents the Conversion Value.]

This bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the Bond Resolution) and in authorized denominations at the designated office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

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

**[The Convertible Capital Appreciation Bonds are not subject to redemption prior to maturity.]**

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Capital Appreciation Bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

[REMAINDER OF PAGE LEFT BLANK]

IN WITNESS WHEREOF, the Board of Supervisors has caused this Bond to be executed on behalf of the District, in the official capacities and by the facsimile signatures of the Chairman of the Board of Supervisors of the County and the Treasurer-Tax Collector of the County, and to be countersigned by the facsimile signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

By: ______________________________

Chairman of the Board of Supervisors

______________________________

Treasurer-Tax Collector of the County of Riverside

COUNTERSIGNED:

______________________________

Clerk of the Board of Supervisors

## CERTIFICATE OF AUTHENTICATION

This Bond is one of the bonds described in the Bond Resolution referred to herein, which has been authenticated and registered on __________, 2012.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: ______________________________
Its: Authorized Officer

## (FORM OF LEGAL OPINION)

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

______________________________
Clerk of the Board of Supervisors of the County of Riverside

# (FORM OF STATEMENT OF INSURANCE)

**NEW ISSUE -- FULL BOOK-ENTRY**

**RATINGS: Moody's: "__"; S&P: "__"**
**(See "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 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. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.*

# $74,000,000*
# DESERT SANDS UNIFIED SCHOOL DISTRICT
## Riverside County, California
## General Obligation Bonds, Election of 2001, Series 2012

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

***This cover page contains information for cursory reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.***

The Desert Sands Unified School District General Obligation Bonds, Election of 2001, Series 2012 (the "Bonds"), in the aggregate principal amount of $74,000,000*, are being issued by the Desert Sands Unified School District (the "District") to construct, acquire, renovate and repair certain District facilities. The Bonds were authorized at an election of the registered voters of the District held on November 6, 2001 (the "Authorization"), at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $450,000,000 principal amount of general obligation bonds.

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

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

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest with respect to the Current Interest Bonds accrues from the Date of Delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2013. Payment to owners of $1,000,000 or more in principal amount of the Bonds, at the owner's option, will be made by wire transfer. The Current Interest Bonds are issuable as fully registered Bonds in denominations of $5,000 or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2013. The Capital Appreciation Bonds are issuable in denominations of $5,000 maturity value or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as Bond Registrar and Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. (See "THE BONDS – Book-Entry Only System.")

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

[The District has applied for municipal bond insurance for the scheduled payment of principal and Maturity Value of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.]

**MATURITY SCHEDULE***
**(see inside front cover)**

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

# RBC Capital Markets

Dated: ____________________, 2012

* Preliminary, subject to change.

## MATURITY SCHEDULE*

**$__________ Current Interest Serial Bonds**

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | Maturity (August 1) | Principal Amount | Interest Rate | Yield |
|---|---|---|---|---|---|---|---|

**$________ _____% Current Interest Term Bonds due August 1, 20__ Yielding ______%**

**$_________ Capital Appreciation Serial Bonds**

| Maturity (August 1) | Denominational Amount | Accretion Rate | Yield | Maturity Value |
|---|---|---|---|---|

* Preliminary, subject to change.

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 Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. 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.

Certain information set forth herein has been obtained from sources outside the District which are believed to be reliable, but such information 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, their respective 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 the completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS 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 SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE 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**

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

**District Administration**

Dr. Sharon P. McGehee, *Superintendent*
Sherry Johnstone, *Assistant Superintendent, Personnel*
Cynthia McDaniel, *Assistant Superintendent, Business Services*
Kathleen Felci, *Assistant Superintendent, Educational Services*
Peggy Reyes, *Interim Facilities Director*

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**PROFESSIONAL SERVICES**

**Underwriter**

RBC Capital Markets, LLC
*Los Angeles, California*

**Bond and Disclosure Counsel**

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

**Bond Registrar, Transfer Agent and Paying Agent**

U.S. Bank National Association
*Los Angeles, California*

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**$74,000,000***
**DESERT SANDS UNIFIED SCHOOL DISTRICT**
**Riverside County, California**
**General Obligation Bonds, Election of 2001, Series 2012**

## INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of Desert Sands Unified School District, Riverside County, California, General Obligation Bonds, Election of 2001, Series 2012, in the principal amount of $74,000,000* (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 and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.**

### The District

The District is a unified school district and was established in July 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 Riverside County. Population centers include the Cities of Indio, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes. The District's average daily attendance for fiscal year 2011-12 was approximately 25,590 and the District has a 2011-12 assessed valuation of $32,096,278,749. The District's projected average daily attendance for fiscal year 2012-13 is ______.

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. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Sharon McGehee is the District Superintendent. See "THE DISTRICT."

### Security and Sources of Payment for the Bonds

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

### Purpose of Issue

The Bonds are being issued to construct, acquire, renovate and repair certain District facilities (the "Project"), as authorized by the voters of the District at the election on November 6, 2001, and to pay

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* Preliminary, subject to change.

all necessary legal, financial and contingent costs in connection with the issuance of the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds."

**Description of the Bonds**

***Current Interest and Capital Appreciation Bonds.*** The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds mature on August in the years indicated on the inside cover page hereof. The Capital Appreciation Bonds are payable only at maturity and will not pay interest on a current basis. The maturity value of a Capital Appreciation Bond is equal to its accreted value upon the maturity thereof (the "Maturity Value"), being composed of its initial principal amount on the date of delivery (the "Denominational Amount") and the interest accreting thereon between the delivery date thereof and its respective maturity date.

***Form, Registration and Denomination***. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System." 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 – Registration, Transfer and Exchange of Bonds."

Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or Maturity Value, as applicable, or any integral multiple thereof.

***Redemption***. The Current Interest Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District from any source of funds, on August 1, 20__ or on any date thereafter, as a whole or in part. The Current Interest Term Bonds are subject to mandatory sinking fund redemption as further described herein. The Capital Appreciation Bonds are not subject to redemption prior to maturity. See "THE BONDS – Redemption."

***Payments***. Interest on the Current Interest Bonds accrues from their initial date of delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1, 2013. Principal on the Current Interest Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof. Each Capital Appreciation Bond accretes in value from its Denominational Amount on the date of delivery to its Maturity Value on the maturity thereof at the Accretion Rate per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year commencing on February 1, 2013, and is payable only at maturity according to the amounts set forth in the table of accreted values as shown in APPENDIX F attached hereto. Payments of the principal and Maturity Value of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, bond registrar, authenticating agent and transfer agent (the "Bond Registrar"), to DTC for subsequent disbursement through DTC Participants (defined in "THE BONDS" – Book-Entry Only System") to the Beneficial Owners (defined in "THE BONDS" – Book-Entry Only System") of the Bonds.

***Bond Insurance.*** The District has applied for municipal bond insurance for the scheduled payment of principal and Maturity Value of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds. See "THE BONDS – Bond Insurance" and "RATINGS" herein.

**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 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. In addition, 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 the Bonds constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from 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. See "TAX MATTERS" herein..

**Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Education of the District. See "THE BONDS – Authority for Issuance."

**Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December __, 2012.

**Continuing Disclosure**

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of material events required to be provided are summarized below under the captions "APPENDIX C – Form of Continuing Disclosure Certificate."

**Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond and Disclosure Counsel to the District with respect to the Bonds. Certain matters will be passed upon for the Underwriter by Fulbright & Jaworski L.L.P., Los Angeles, California. Stradling Yocca Carlson & Rauth will receive compensation from the District contingent upon the sale and delivery of the Bonds. U.S. Bank National Association, Los Angeles California is acting as registrar, transfer agent and paying agent for the Bonds.

**Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

**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 Superintendent, 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 of such documents, statutes and constitutional provisions.

Certain 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, 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

The 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 (the "Act"), Article XIIIA of the California Constitution and pursuant to resolutions adopted by the Board of Education of the District on September 18, 2012 (the "District Resolution"), and by the Board of Supervisors of the County on October 23, 2012 (the "County Resolution" and together with the "District Resolution," the "Resolutions").

The District received authorization to issue the Bonds at an election held on November 6, 2001 (the "Election") by more than a two-thirds majority of the votes cast by eligible voters within the District to issue $450,000,000 of general obligation bonds (the "Authorization"). Pursuant to the Authorization, (i) the District's General Obligation Bonds, Election of 2001, Series 2004 were issued in an aggregate principal amount of $146,000,000 (the "Series 2004 Bonds") on June 11, 2004, (ii) the District's General Obligation Bonds, Election of 2001, Series 2006 were issued in an aggregate principal amount of $130,000,000 (the "Series 2006 Bonds") on June 23, 2006; (iii) the District's General Obligation Bonds, Election of 2001, Series 2008 were issued in an aggregate principal amount of $130,000,000 (the "Series 2008 Bonds") on November 18, 2008. The Bonds represent the fourth series of bonds to be issued under the Authorization. After the issuance of the Bonds, $74,000,000* of the District's Authorization will remain.

### Security and Sources of Payment

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal and Maturity Value of and interest on the Bonds upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be deposited by the County into the Desert Sands Unified School District General Obligation Bonds, Series 2012 Debt Service Fund (the "Debt Service Fund"), which is segregated and maintained by the County and which is irrevocably pledged for the payment of principal and Maturity Value of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the County. See "TAX BASE FOR REPAYMENT OF BONDS."

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and Maturity Value of and interest on the Bonds, as the same becomes due and payable, will be transferred by the County to the Bond Registrar which, in turn, shall pay such moneys to DTC to pay, as the case may be, the principal and Maturity Value of and interest on the Bonds. DTC will thereupon make payment of principal and interest of the Bonds to the DTC Participants who will thereupon make payments of principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The amount of the annual *ad valorem* 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

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* Preliminary, subject to change.

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 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 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 "TAX BASE FOR REPAYMENT OF BONDS."

**Description of the Bonds**

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. Purchasers will not receive certificates representing their interests in the Bonds.

Interest with respect to the Current Interest Bonds accrues from their date of delivery, and is payable semiannually on February 1 and August 1 of each year (each a "Bond Payment Date"), commencing February 1, 2013. Interest on the Current Interest Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the 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 immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2013, in which event it shall bear interest from its date; *provided*, that if, at the time of authentication of any Bond interest is in default on any outstanding Bonds, such Bond shall bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds. The Current Interest Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof and mature on August 1 in the years and amounts set forth on the inside cover hereof.

The Capital Appreciation Bonds are payable only at maturity, and will not pay interest on a current basis. The Capital Appreciation Bonds accrete in value from their date of delivery at the approximate accretion rates per annum set forth on the inside cover hereof, compounded semiannually on February 1 and August 1 of each year commencing on February 1, 2013. The Maturity Value of a Capital Appreciation Bond is its Accreted Value at its maturity date. Interest with respect to each Capital Appreciation Bond is represented by the amount each Capital Appreciation Bond accretes in value from its Denominational Amount to the date for which Accreted Value is calculated. The Accreted Value (the "Accreted Value") of a Capital Appreciation Bond is calculated by discounting on a 30-day month, 360 day year basis its Maturity Value on the basis of a constant interest rate (the "Accretion Rate") compounded semiannually on February 1 and August 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by pro-rating the Accreted Values to the closest prior or subsequent February 1 and August 1. See the maturity schedule on the inside cover page hereof and "APPENDIX F – Table of Accreted Values." The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value, or any integral multiple thereof, and mature on the dates and in the amounts set forth on the inside cover hereof.

The principal of the Current Interest Bonds and the Maturity Value of the Capital Appreciation Bonds will be payable in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal corporate trust office of the Bond Registrar. The interest on the Current Interest Bonds will be payable in lawful money of the United States of America to the person whose name appears on the bond registration books of the Bond Registrar as the registered owner thereof as of the close of business on the 15th day of the month next preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Bond Payment Date to such registered owner at such registered owner's address as it appears on such registration books or at such address as the registered owner may have filed with the Bond Registrar for that purpose. The interest payments on the Current Interest Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least $1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest on the Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

**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, principal or premium, if any, with respect to 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 ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," 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 actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive 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.

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 DTC.

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 thereof.

**Discontinuation of Book-Entry Only System; Payment to Beneficial Owners**

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 Santa Barbara, 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 any authorized denomination upon presentation and surrender at the designated office of the Paying Agent, initially located in San Francisco, California, 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 registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the Owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

**Bond Registrar**

U.S. Bank National Association, located in Los Angeles, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the "Bond Registrar"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Bond Registrar will send any notice of prepayment or other notices to Owners only to DTC.

Neither the Bond Registrar, the District, the County, nor the Underwriter of the Bonds have any responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

**Redemption**

***Optional Redemption.**** The Current Interest Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Current Interest Bonds maturing on or 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, on August 1, 20__ or on any date thereafter, as a whole or in part, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Capital Appreciation Bonds are not subject to optional redemption.

***Mandatory Sinking Fund Redemption.*** * The Current Interest Bonds maturing on August 1, 20__, 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, plus accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Current Interest Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

| Redemption Date (August 1) | Principal Amount |
|---|---|
| | |
| Total | |

(1) Final Maturity.

***Selection of Bonds for Redemption.*** Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Bond Registrar, upon written instruction from the District, will select the Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Bond Registrar will select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Bond Registrar will determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

***Notice of Redemption.*** Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than thirty nor more than sixty days prior to the redemption date (i) to the Registered Owners thereof at the addresses appearing on the bond registration books of the Bond Registrar, (ii) to the Securities Depositories described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depositories and the Information Services will be given by registered mail, facsimile transmission or overnight delivery service. Each notice of redemption 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 Bond Registrar, (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 or Accreted Value, as applicable, 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.

* Preliminary, subject to change.

"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, Fax (212) 855-1000 or Fax (212) 855-7320.

The actual receipt by an Owner of any Bond or by any Information Service or Securities Depository of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice nor shall any defect in such notice affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest thereon on the date fixed for redemption.

The notice or notices required for redemption will be given by the Bond Registrar or its designee. A certificate by the Bond Registrar that notice of call and redemption has been given to owners of Bonds and to the appropriate Securities Depositories and Information Services shall be conclusive as against all parties, and no Bondowner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Bondowner failed to actually receive such notice of call and redemption.

***Payment of Redeemed Bonds.*** When notice of redemption 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 set aside for that purpose in the Debt Service Fund, as described below, 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 notice of redemption with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price thereof out of the Debt Service Fund. 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 Bond Registrar 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 amount 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 District will be released and discharged thereupon from all liability to the extent of such payment.

***Effect of Notice of Redemption.*** 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 the Bond Registrar so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

***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 Bond Registrar, in form satisfactory to it, and sufficient moneys shall be held by the Bond Registrar irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, in the case of Bonds, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed Outstanding and shall be surrendered to the Bond Registrar for cancellation.

**Registration, Transfer and Exchange of Bonds**

So long as any of the Bonds remain outstanding, the District will cause the Bond Registrar 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 Bond Registrar 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 only system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange 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 office of the Bond Registrar, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Bond Registrar by check or draft mailed to the person whose name appears on the registration books of the Bond Registrar 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 payments shall be wired to a bank and account number on file with the Bond Registrar 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 Bond Registrar, 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 Bond Registrar. 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 Bond Registrar, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. Upon exchange or transfer, the Bond Registrar 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 or accreting interest at the same rate and maturing on the same date.

Neither the District nor the Bond Registrar will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business 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 prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with the Bond Registrar or with an independent escrow agent selected by the District an amount of cash which together with amounts transferred from the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal, Maturity Value and interest and premium, if any; or

(b) Government Obligations: by irrevocably depositing with the Bond Registrar or with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys transferred from the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal, Maturity Value and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the Bond Registrar with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Bond Registrar to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of the 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 (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service or Standard & Poor's. 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 "AAA" by Standard & Poor's or "Aaa" by Moody's.

**Bond Insurance**

The District has applied for municipal bond insurance for the scheduled payment of principal and Maturity Value of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds. See "THE BONDS – Bond Insurance" and "RATINGS" herein.

**Application and Investment of Bond Proceeds**

***The Project.*** The District plans to use the proceeds from the Bonds to construct, acquire, renovate and repair certain District facilities, as authorized by the voters of the District in the Authorization (collectively, the "Project").

***Building Fund.*** The net proceeds of the sale of the Bonds shall be deposited in the Desert Sands Unified School District General Obligation Bonds Series 2012 Building Fund (the "Building Fund") and shall be applied only to finance the Project, as described above. Any interest earnings on moneys held in the Building Fund shall be retained in the Building Fund.

***Debt Service Fund.*** Any premium or accrued interest received by the District on the sale of the Bonds shall be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Bonds, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

***Permitted Investments***. In accordance with the Resolutions and subject to federal tax restrictions, moneys in the Building Fund and Debt Service Fund shall be initially invested in the County administered pooled investment fund (the "County Pool"). See "RIVERSIDE COUNTY POOLED INVESTMENT FUND."

## ESTIMATED SOURCES AND USES OF FUNDS

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

| | |
|---|---|
| **Sources of Funds** | |
| Principal Amount of the Bonds | |
| Original Issue Premium | |
| Total Sources | |
| | |
| **Uses of Funds** | |
| Building Fund | |
| Debt Service Fund | |
| Costs of Issuance[1] | |
| Total Uses | |

[1] All costs of issuance, including Underwriter's discount and bond insurance premium.

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## DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions are made):

| | Current Interest Bonds | | Capital Appreciation Bonds | | |
|---|---|---|---|---|---|
| Year Ending (August 1) | Annual Principal Payment | Annual Interest Payment[1] | Annual Principal Payment[2] | Annual Accreted Interest Payment[2] | Total Annual Debt Service |
| Total | | | | | |

[1] Interest payments on the Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2013.

[2] The Capital Appreciation Bonds are payable only at maturity, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing on February 1, 2013.

See "DISTRICT FINANCIAL INFORMATION – District Debt Structure" for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

## RIVERSIDE COUNTY POOLED INVESTMENT FUND

[TO BE UPDATED PRIOR TO PRINTING]

*The following information concerning the Riverside County Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of ______, 2012, the portfolio assets comprising the PIF had a market value of $_____________.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On _____________, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 84% of the funds on deposit in the County Treasury, while approximately ___% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2007 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Pooled Investment Fund as of __________ were as follows:

| | Market Value | % of Pool |
|---|---|---|
| Federal Agency Securities | | |
| Cash Equivalents & Money Market Funds | | |
| Commercial Paper | | |
| Negotiable Certificates of Deposit | | |
| Medium Term Notes | | |
| Municipal Bonds | | |
| Certificates of Deposit[(1)] | | |
| Local Agency Obligations[(2)] | | |
| Total | | |

Weighted Average Yield:
Weighted Average Maturity:

(1) Not rated; all other investments are government securities or rated investments.
(2) Represents Local Agency Obligations issued by the Riverside District Court Financing Corporation and March Joint Powers Redevelopment Agency.

As of _________________, the market value of the PIF was ____% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

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

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

*The principal and Maturity Value of and interest on the Bonds are payable from the proceeds of an* ad valorem *tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment." Articles XIIIA, XIIIB, XIIIC and XIIID 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 District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

### Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA 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. 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 XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. 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 – Assessed Valuations" herein.

Article XIIIA 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 XIIIA 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 July 1, 1978, or (b), as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 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 55% 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 Bonds falls within the exception described in (b) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

**Legislation Implementing Article XIIIA**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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 XIIIA.

**Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. 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."

**Article XIIIB of the California Constitution**

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

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

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

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the 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 legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" below.

**Article XIIIC and Article XIIID of the California Constitution**

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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 XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

**Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC 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 XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

**Propositions 98 and 111**

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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

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

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

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

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

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

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

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

**Proposition 39**

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate projected to be levied as the result of any single election would not exceed $60 (for a unified school district), $30 (for an elementary or high 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 XIIIA of the Constitution. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. See " – Article XIIIA of the California Constitution" above.

**Jarvis v. 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 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide. The District can make no representations regarding what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

**State Cash Management Legislation**

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2012-13 provides for additional inter-fiscal year deferrals

On May 23, 2012, the Governor signed into law Assembly Bill ("AB 103"), which extends certain provisions of existing law designed to manage the State's cash resources. AB 103 authorizes the deferral of State apportionments during fiscal year 2012-13, as follows: (i) $700 million from July 2012 to September 2012, (ii) $500 million from July 2012 to January 2013, (iii) $600 million from August 2012 to January 2013, (iv) $800 million from October 2012 to January 2013, and (v) $900 million from March 2013 to April 2013. Collectively, these deferrals are referred to as the "Cash Management Deferrals."

As in the prior fiscal years, AB 103 provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, has not applied for nor received an exemption from any of the Cash Management Deferrals. In the event any of the Cash Management Deferrals are implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible. AB 103 authorizes the Cash Management Deferrals to be accelerated or delayed by up by one month, except that the March 2013 deferral must be paid no later than April 29, 2013.

**Future Initiatives**

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## 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 *taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

***Ad Valorem* Property Taxation**

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

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

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

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

**Assessed Valuations**

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

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

Property within the District has a total assessed valuation for fiscal year 2011-12 of $32,096,278,749. The following table represents the 6-year history of assessed valuations in the District.

**ASSESSED VALUATIONS**
**Fiscal Year 2006-07 through 2011-12**
**Desert Sands Unified School District**

| Fiscal Year | Total Assessed Valuation |
|---|---|
| 2006-07 | $31,869,751,870 |
| 2007-08 | 35,905,592,167 |
| 2008-09 | 37,413,532,192 |
| 2009-10 | 35,226,588,575 |
| 2010-11 | 33,410,344,848 |
| 2011-12 | 32,096,278,749 |

*Sources: California Municipal Statistics, Inc..*

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

**Assessed Valuation and Parcels by Land Use**

The following table is an analysis of the District's secured assessed valuation by land use.

**ASSESSED VALUATION AND PARCELS BY LAND USE**
**Desert Sands Unified School District**

**Alternative Method of Tax Apportionment**

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

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of 3% of the total of all taxes and assessments levied on the secured roll for that year, 1% of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the 10% tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for the agency.

**Tax Rates**

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

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

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| General | 1.00000% | 1.00000% | 1.00000% | 1.00000$ | 1.00000% |
| Desert Sands Unified School District | .07561 | .07990 | .08112 | .10036 | .11467 |
| Desert Community College District | .01995 | .01995 | .01995 | .01995 | .01995 |
| Coachella Valley Water District | .04000 | .04000 | .06000 | .08000 | .08000 |
| | 1.13556% | 1.13985% | 1.16107% | 1.20031% | 1.21462% |

*Source: California Municipal Statistics, Inc.*

## Largest Property Owners

The following table lists the 20 largest local secured taxpayers in the District in terms of their 2011-12 secured assessed valuations.

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

| | Property Owner | Primary Land Use | 2011-12 Assessed Valuation | % of Total[1] |
|---|---|---|---|---|
| 1. | KSL Desert Resort | Hotel | $176,780,979 | 0.56% |
| 2. | WEA Palm Desert LP | Shopping Center | 139,236,279 | 0.44 |
| 3. | DS Hotel | Hotel | 120,991,665 | 0.39 |
| 4. | Pru Desert Crossing | Commercial | 88,765,211 | 0.28 |
| 5. | Gardens SPE II | Hotel | 79,159,820 | 0.25 |
| 6. | Elisabeth E. Stewart | Residential Properties | 75,083,014 | 0.24 |
| 7. | WVC Rancho Mirage Inc. | Timeshare/Resort | 74,133,256 | 0.24 |
| 8. | Worldmark the Club | Hotel | 57,419,777 | 0.18 |
| 9. | Time Warner Entertainment | Communications | 56,291,224 | 0.18 |
| 10. | Sunrise Desert Partners | Residential Properties | 53,451,748 | 0.17 |
| 11. | Garden of Champions | Recreational | 52,761,822 | 0.17 |
| 12. | Harsch Inv. Realty | Commercial | 48,846,580 | 0.16 |
| 13. | Monarch Sevilla Venture | Apartments | 47,777,773 | 0.15 |
| 14. | Segovia Operations | Assisted Living | 45,800,000 | 0.15 |
| 15. | Grand Champions LLC | Hotel | 44,304,203 | 0.14 |
| 16. | Inland American La Quinta Pavilion | Commercial | 42,548,545 | 0.14 |
| 17. | El Paseo Collection | Commercial | 40,528,374 | 0.13 |
| 18. | Target Corp. | Commercial | 40,395,879 | 0.13 |
| 19. | Walgreen Co. | Commercial | 40,269,830 | 0.13 |
| 20. | Capri W. Canterra | Apartments | 39,947,563 | 0.13 |
| | | | $1,364,493,542 | 4.35% |

[1] 2011-12 local secured assessed valuation: $31,390,889,522.
*Source: California Municipal Statistics, Inc.*

## Secured Tax Charges and Delinquencies

The following table reflects the 6-year history of secured tax levies and year-end delinquencies for bond levies only.

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

| Fiscal Year | Secured Tax Charge[1] | Amount Delinquent June 30 | % Delinquent June 30 |
|---|---|---|---|
| 2005-06 | $20,486,706.05 | $495,233.32 | 2.42% |
| 2006-07 | 23,036,657.80 | 869,670.03 | 3.78 |
| 2007-08 | 26,430,894.22 | 1,087,253.91 | 4.11 |
| 2008-09 | 28,939,204.74 | 1,301,620.19 | 4.50 |
| 2009-10 | 27,605,084.56 | 898,282.22 | 3.25 |
| 2010-11 | 32,242,760.93 | 728,144.56 | 2.26 |

[1] Debt service levy only.
*Source: California Municipal Statistics, Inc.*

**Statement of Direct and Overlapping Debt**

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of _____________. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

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

## THE DISTRICT

### General Information

The District is a unified school district and was established in July 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 Riverside County. Population centers include the Cities of Indio, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes.

### 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:

| Name | Office | Term Expires |
|---|---|---|
| Donald B. Griffith | President | December 20__ |
| Jim Koedyker | Vice President and Clerk | December 20__ |
| Michael Duran | Member | December 20__ |
| Matt Monica | Member | December 20__ |
| Gary Tomak | Member | December 20__ |

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

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

***Cindy McDaniel, Assistant Superintendent, Business Services.*** [To Come]

### Average Daily Attendance

The average daily attendance for the most recent 6-year period and a projection for 2012-13 is reported in the following table.

**AVERAGE DAILY ATTENDANCE AND ENROLLMENT**
**Fiscal Years 2006-07 through 2012-13**
**Desert Sands Unified School District**

| Fiscal Year | Average Daily Attendance[1] | Enrollment |
|---|---|---|
| 2006-07 | 26,034 | |
| 2007-08 | 26,476 | |
| 2008-09 | 25,750 | |
| 2009-10 | 25,781 | |
| 2010-11 | 25,633 | |
| 2011-12 | 25,590 | |
| 2012-13[2] | | |

[1] ADA figures are net of charter school students. See "DESERT SANDS UNIFIED SCHOOL DISTRICT – Charter Schools."
[2] Projected.
*Source: The District.*

### Labor Relations

As of June 30, 2012, the District employed ___ certificated professionals and ___ classified employees. These employees, except management, confidential and some part-time employees, are represented by two bargaining units as noted below:

**LABOR RELATIONS**
**Desert Sands Unified School District**

| Labor Organization | Number of Employees in Organization | Contract Expiration Date |
|---|---|---|
| Desert Sands Teacher's Association | ____ | June 30, 20__ |
| California School Employees Association | ____ | June 30, 20__ |

*Source: The District.*

## Pension Plans

***STRS.*** All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contribute 8% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 2.791% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution of 0.774% that will vary from year-to-year based on statutory criteria.

The District's contribution to STRS were $9,589,362 in fiscal year 2008-09, $9,354,222 in fiscal year 2009-10 and $8,541,738 in fiscal year 2010-11. For fiscal year 2011-12, the District has projected $8,796,791 as its contribution toward STRS, and has budgeted its contribution to be $_________ for fiscal year 2012-13.

***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, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.417% of eligible salary expenditures for fiscal year 2012-13, while participants contribute 7% of their respective salaries.

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

The District's contributions to PERS were $5,529,063 in fiscal year 2008-09, $5,543,103 in fiscal year 2009-10 and $5,514,691 in fiscal year 2010-11. For fiscal year 2011-12, the District has projected $5,936,233, and has budgeted its contribution to be $__________ for fiscal year 2012-13.

***State Pension Trusts.*** Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii)

PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

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

**FUNDED STATUS**
**STRS (Defined Benefit Program) and PERS**
**As of the June 30, 2011 Valuation Date**
**(Dollar Amounts in Millions) [1]**

| Plan | Accrued Liability | Value of Trust Assets | Unfunded Liability |
|---|---|---|---|
| Public Employees Retirement Fund (PERS) | $58,358 | $45,901[2] | $(12,457) |
| State Teachers' Retirement Fund Defined Benefit Program (STRS) | 208,405 | 143,930[3] | (64,475) |

[1] Amounts may not add due to rounding.
[2] Reflects market value of assets as of June 30, 2011.
[3] Reflects actuarial value of assets as of June 30, 2011.
*Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.*

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

### Alternate Pension Plan

As established by Federal law, all public sector employees who are not members of their employers existing retirement systems (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Accumulation Program of Part-Time and Limited-Service Employees ("APPLE") Plan as its alternative plan. The District contributes 3.75% of an employee's gross earnings. An employee is required to contribute 3.75% of his or her gross earnings to the pension plan. During fiscal year 2010-11, the District's required and actual contributions for the APPLE Plan amounted to $120,033, which was 3.75% of its current year covered payroll. For fiscal year 2011-12, the District contributions to the APPLE Plan were approximately $107,015. For fiscal year 2012-13, the District has bugeted its contributions to be approximately $_____.

### Supplemental Employee Retirement Plan

The District has adopted a supplemental early retirement plan ("SERP") whereby certain eligible employees are provided an annuity to supplement the retirement benefits such employees are entitled to receive through the STRS or PERS retirement systems. The District has entered into an agreement with the Public Agency Retirement System (PARS), whereby the District pays contributions to the PARS administrator, who then provides supplemental income to eligible employees. The annuities were purchased for 182 employees. Five payments of $1,834,299 per year are being paid over a five year period starting in July 2010. The accumulated future liability for the District for the SERP, as of July 1, 2011, amounted to $7,337,197.

## Other Postemployment Benefits

***Program Benefits.*** The Desert Sands Unified School District Retiree Health Program (the "Program") is a single-employer defined benefit health care program administered by the District. The Program provides medical benefits to eligible retirees and their spouses. Membership of the Program consists of 267 retirees and beneficiaries currently receiving benefits and 2,179 active Program members.

***Funding Policy.*** The contribution requirements of the Program members 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 projected pay-as-you-go basis to cover the cost of benefits for current retirees. For fiscal year 2011-12, the District's projected contribution to the Program is $2,909,465, all of which is expected to be used for premiums.

***Accrued Liability.*** The District has implemented Governmental Accounting Standards Board 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. and dated as of May 11, 2011, concluded the District's total unfunded actuarial accrued liability (the "AAL") for such benefits, as of January 1, 2011, was $43,237,628, and that the District's annual required contribution ("ARC") in respect of such benefits was $4,425,661, beginning January 1, 2011. The ARC is composed of the value of future benefits earned by current employees during each fiscal year (the "Normal Cost"), and the amount necessary to amortize the AAL. Collectively, the ARC is the amount that would be necessary to fund both the Normal Cost and the AAL in accordance with Governmental Accounting Standards Board Statements Nos. 43 and 45.

As of June 30, 2011, the District recognized a net, long-term obligation (the "Net OPEB Obligation") with respect to Program benefits of $9,073,544, based on its contributions towards the actuarially-determined ARC. See "APPENDIX A – EXCERPTS FROM 2010-11 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11."

## Insurance

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

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

## Charter Schools

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

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

# 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 and Maturity Value of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an* ad valorem *tax required to be levied by the County in the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment."*

## 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 July 1 and ends on June 30.

**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. Excerpts from the District's audited financial statements for the year ended June 30, 2007 are included for reference in APPENDIX A hereto.

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

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

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

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

[2] Operating Transfers Out reflects primarily transfers of tax increment revenues to pay debt service on the District's outstanding certificates of participation. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Redevelopment Revenues."

[3] Reflects a positive restatement of the District's general fund ending balance from the prior year, in an amount equal to $2,956,382, in order to conform to changes in GASB Statement No. 45's definition of governmental funds. For financial reporting purposes, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) is reported as part of the District's general fund. A corresponding negative restatement was also made to the District's non-major governmental funds. The restatement did not change the District's aggregate ending fund balances for fiscal year 2009-10. See "APPENDIX A – EXCERPTS FROM 2010-11 ADITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 17."

Source: The District.

**Budget Process**

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

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

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved.

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

***Interim Financial Reports.*** Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two sequent fiscal years.

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

For fiscal year 2011-12, the District has elected to report a "qualified" certification in its first interim financial report. In accordance with Section 42133 of the California Education Code, as a condition precedent to the sale of the Notes, the District is obligated to obtain a determination by the County superintendent of schools regarding the likelihood of repayment of the Notes. By a letter dated January 13, 2012 the District was informed by the County Office of Education of its determination that repayment of the Notes by the District was probable.

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

## GENERAL FUND BUDGETING
## FISCAL YEAR ENDING JUNE 30, 2008 AND JUNE 30, 2009
### Desert Sands Unified School District

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

(1) Operating Transfers Out reflects primarily transfers of tax increment revenues to pay debt service on the District's outstanding certificates of participation. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Redevelopment Revenues."
*Source: Desert Sands Unified School District.*

## GENERAL FUND BUDGETING
## FISCAL YEARS ENDING JUNE 30, 2010 THROUGH JUNE 30, 2012
### Desert Sands Unified School District

| | Fiscal Year 2009-10 | | Fiscal Year 2010-11 | | Fiscal Year 2011-12 | |
|---|---|---|---|---|---|---|
| | Adopted Budget | Audited[1] | Adopted Budget | Audited[1] | Adopted Budget[2] | Projected[2] |
| **REVENUES** | | | | | | |
| Revenue Limit Sources | $134,737,962 | $128,282,042 | $135,416,300 | $135,485,666 | $135,958,963 | $135,924,947 |
| Federal Sources | 21,455,397 | 24,949,190 | 23,204,204 | 19,741,667 | 24,588,028 | 24,568,732 |
| Other State Sources | 23,468,830 | 34,973,361 | 27,840,780 | 33,227,599 | 25,999,860 | 27,156,567 |
| Other Local Sources | 31,489,176 | 33,940,218 | 34,968,498 | 41,266,506 | 34,828,640 | 36,144,323 |
| **TOTAL REVENUES** | 211,151,365 | 222,144,811 | 221,429,782 | 229,721,438 | 221,375,491 | 223,794,569 |
| **EXPENDITURES** | | | | | | |
| Certificated Salaries | 107,287,525 | 113,452,646 | 102,209,692 | 104,287,957 | 104,380,752 | 104,289,161 |
| Classified Salaries | 31,065,798 | 32,604,560 | 31,131,587 | 31,161,932 | 30,393,305 | 30,474,399 |
| Employee Benefits | 46,481,246 | 46,898,952 | 50,736,911 | 50,141,046 | 56,012,273 | 56,338,151 |
| Books & Supplies | 7,820,768 | 8,598,512 | 15,128,871 | 8,383,927 | 13,632,362 | 13,771,369 |
| Services & Other Operating Expenses | 17,604,050 | 17,273,137 | 20,179,953 | 18,974,127 | 20,389,273 | 21,048,904 |
| Capital Outlay | -- | -- | -- | -- | 606,067 | 1,916,167 |
| Other Outgo | (84,601) | 54,580 | (273,184) | (209,021) | 28,807 | 28,807 |
| Transfers of Direct Support/Indirect Costs | -- | -- | -- | -- | (897,053) | (897,053) |
| Debt Service | -- | 28,805 | 29,800 | 28,806 | -- | -- |
| **TOTAL EXPENDITURES** | 210,174,786 | 218,911,192 | 219,143,630 | 212,768,774 | 224,558,814 | 226,969,905 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 976,579 | 3,233,619 | 2,286,152 | 16,952,664 | 3,183,323 | 3,175,336 |
| **OTHER FINANCING SOURCES/(USES)** | | | | | | |
| Operating Transfers In | -- | 132,000 | 2,135,000 | 635,000 | 635,000 | 635,000 |
| Other Uses | -- | -- | -- | -- | -- | -- |
| Operating Transfers Out[3] | (8,837,262) | (7,714,384) | (10,770,350) | (17,034,463) | (9,767,047) | (9,770,594) |
| **TOTAL OTHER FINANCING SOURCES/(USES)** | (8,837,262) | (7,582,384) | (8,635,350) | (16,399,463) | (9,132,047) | (9,135,594) |
| **NET INCREASE (DECREASE) IN FUND BALANCE** | (7,860,683) | (4,348,765) | (6,349,198) | 553,201 | (5,948,724) | (5,960,258) |
| **Fund Balance, July 1** | 27,920,330 | 27,920,330 | 26,527,947[4] | 26,527,947[4] | 25,605,218[5] | 25,605,218[5] |
| **Fund Balance, June 30** | $20,059,647 | $23,571,565 | $20,178,749 | $27,081,148 | $13,289,848 | $13,294,288 |

(1) For audited results for fiscal years 2009-10 and 2010-11 in revised reporting format, see "DESERT SANDS UNIFIED SCHOOL DISTRICT – Financial Statements of the District."
(2) As of the District's first interim financial report for fiscal year 2011-12, dated as of December 15, 2011.
(3) Operating Transfers Out reflects primarily transfers of tax increment revenues to pay debt service on the District's outstanding certificates of participation. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Redevelopment Revenues."
(4) Reflects a positive restatement of the District's general fund ending balance from the prior year, in an amount equal to $2,956,382, in order to conform to changes in GASB Statement No. 45's definition of governmental funds. For financial reporting purposes, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) is reported as part of the District's general fund. A corresponding negative restatement was also made to the District's non-major governmental funds. The restatement did not change the District's aggregate ending fund balances for fiscal year 2009-10. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 17."
(5) Budgeted and projected figures do not reflect the inclusion of Fund 17 within the District's general fund.
*Source: The District.*

## State Funding of Education

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

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

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

Generally, these apportionments of basic and equalization aid amount to the difference between a district's revenue limit and its property tax allocation. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. The following table displays the District's A.D.A. and revenue limit per A.D.A. for the past six years, as well as projected figures for fiscal year 2012-13.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT**
**Fiscal Years 2006-07 through 2012-13**
**Desert Sands Unified School District**

| Fiscal Year | Average Daily Attendance[1] | Annual Change in ADA | Base Revenue Limit Per ADA | Funded Revenue Limit Per ADA[2] |
|---|---|---|---|---|
| 2006-07 | 26,034 | -- | $5.531.98 | $5,531.98 |
| 2007-08 | 26,476 | 442 | 5,783.98 | 5,783.98 |
| 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 | 25,590 | (43) | 6,492.98 | 5,210.36 |
| 2012-13[3] | | | | |

(1) ADA figures are net of charter school students. See "DESERT SANDS UNIFIED SCHOOL DISTRICT – Charter Schools."
(2) The State's practice of deficit revenue limit funding, which reduces the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again beginning in fiscal year 2006-07, and reinstated in fiscal year 2008-09.
(3) Projected.
*Source: The District.*

## Revenue Sources

Major revenue sources of the District are described below.

***Revenue Limit Sources.*** Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

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

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

Revenue limit sources constituted approximately 57.7% of District general fund revenues in 2009-10, approximately 59% of such revenues in 2010-11, and are projected to equal approximately 60.7% of such revenues in 2011-12.

***Federal Revenues***. The federal government provides funding for several District programs, including special education programs, and specialized programs such as Drug Free Schools, No Child Left Behind, and vocational and applies technology education. The federal revenues, most of which are restricted, constituted 11.2% of District general fund revenues in 2009-10, approximately 8.6% of such revenues in 2009-10, and are projected to equal approximately 11% of such revenues in 2011-12.

***Other State Revenues***. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid and Home-to-School Transportation, among others. Other State revenues constituted 15.7% of District general fund revenues in 2009-10, approximately 14.5% of such revenues in 2010-11, and are projected to equal approximately 12.1% of such revenues in 2011-12.

***Other Local Revenues***. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues constituted 15.3% of District general fund revenues in 2009-10, approximately 18% of such revenues in 2010-11 and are projected to equal approximately 20% of such revenues in 2011-12.

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

**REDEVELOPMENT REVENUES**
**Fiscal Years 2003-04 through 2012-13**
**Desert Sands Unified School District**

| Fiscal Year | Total Redevelopment Revenues Received | Redevelopment Revenues Allocated to Outstanding Debt[1] | Unallocated Redevelopment Revenues |
|---|---|---|---|
| 2003-04 | $7,879,916 | $2,316,415 | $5,563,501 |
| 2004-05 | 9,360,150 | 2,315,419 | 7,044,731 |
| 2005-06 | 12,796,854 | 2,308,868 | 10,487,986 |
| 2006-07 | 13,578,700 | 2,300,120 | 11,278,580 |
| 2007-08 | 19,997,350 | 2,292,968 | 17,704,382 |
| 2008-09 | 19,864,691 | 4,030,000 | 15,834,691 |
| 2009-10 | 11,679,415 | 7,300,000 | 4,379,415 |
| 2010-11 | 24,694,160 | 7,391,568 | 17,302,592 |
| 2011-12 | 18,000,000 | 7,309,887 | 10,690,113 |
| 2012-13[2] | | | |

[1] A portion of the redevelopment revenues received in each year have been allocated to the payment of debt service associated with the District's outstanding certificates of participation. See "DESERT SANDS UNIFIED SCHOOL DISTRICT – Existing Indebtedness – Certificates of Participation" herein.
[2] Projected.
*Source: The District.*

The District, however, can make no representations that such tax increment revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the recently enacted legislation eliminating redevelopment agencies. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 1A and Proposition 22."

***Developer Fees.*** The District maintains a fund, separate and apart from the General Fund, to account for developer fees collected by the District. Residential development is assessed a fee of $2.97 per square foot, while commercial development is assessed a fee of $0.47 per square foot. The following table summarizes the revenues received by the District from developer fees over the last 9-years and a projected amount for 2012-13.

**DEVELOPER FEES**
**Fiscal Years 2003-04 through 2012-13**
**Desert Sands Unified School District**

| Fiscal Year | Developer Fees Collected |
|---|---|
| 2003-04 | $16,870,825 |
| 2004-05 | 14,804,814 |
| 2005-06 | 20,931,552 |
| 2006-07 | 6,853,562 |
| 2007-08 | 4,313,895 |
| 2008-09 | 612,832 |
| 2009-10 | 830,808 |
| 2010-11 | 617,994 |
| 2011-12 | 500,000 |
| 2012-13[1] | |

[1] Projected.
*Source: The District.*



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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, 2011, is shown below:

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

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

***Certificates of Participation.*** On March 22, 2002, the District executed and delivered refunding certificates of participation in an aggregate principal amount of $11,235,000 (the "2002 Refunding Certificates") for the purpose of refunding a portion of an outstanding certificate of participation issuance. On July 1, 2003, the District executed and delivered a second series of refunding certificates of participation (the "2003 Refunding Certificates") for a similar purpose.

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

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

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

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

*Source: Desert Sands Unified School District.*

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

**Election of 2001 General Obligation Bonds**

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

(1) As of September 1, 2012.
(2) A portion of the proceeds from the 2003 BANs were used to pay the maturing 2002 BANs.
(3) A portion of the Series 2004 Bonds were used to pay the maturing 2003 BANs.
(4) Advance refunded a portion of the outstanding Series 2004 Bonds.

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

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

| Period Ending August 1 | Series 2004 Bonds | Series 2006 Bonds[1] | 2006 Refunding Bonds[2] | Series 2008 Bonds | Series 2012 Bonds | Total Annual Debt Service |
|---|---|---|---|---|---|---|
| 2012 | $4,280,700.00 | $5,758,468.76 | $20,915,000.00 | $5,276,400.00 | | |
| 2013 | 4,316,500.00 | 5,960,118.76 | 21,500,000.00 | 5,681,400.00 | | |
| 2014 | 4,320,750.00 | 6,166,356.26 | 22,090,000.00 | 6,020,200.00 | | |
| 2015 | -- | 6,381,543.76 | 26,805,000.00 | 5,612,200.00 | | |
| 2016 | | 6,607,575.00 | 13,230,000.00 | 9,557,700.00 | | |
| 2017 | -- | 6,837,900.00 | -- | 9,749,950.00 | | |
| 2018 | -- | 7,076,400.00 | -- | 9,942,875.00 | | |
| 2019 | -- | 7,321,900.00 | -- | 10,142,725.00 | | |
| 2020 | -- | 7,583,150.00 | -- | 10,343,825.00 | | |
| 2021 | -- | 7,848,400.00 | -- | 10,555,700.00 | | |
| 2022 | -- | 8,121,400.00 | -- | 10,764,225.00 | | |
| 2023 | -- | 8,405,650.00 | -- | 10,978,087.50 | | |
| 2024 | -- | 8,699,400.00 | -- | 11,200,450.00 | | |
| 2025 | -- | 9,005,900.00 | -- | 11,425,700.00 | | |
| 2026 | -- | 9,318,150.00 | -- | 11,651,950.00 | | |
| 2027 | -- | 9,646,500.00 | -- | 11,882,700.00 | | |
| 2028 | -- | 9,980,750.00 | -- | 12,121,950.00 | | |
| 2029 | -- | 10,329,750.00 | -- | -- | | |
| 2030 | -- | 10,691,000.00 | -- | -- | | |
| 2031 | -- | 11,067,000.00 | -- | -- | | |
| Total | $12,917,950.00 | $162,807,312.54 | $104,540,000.00 | $162,908,037.50 | | |

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

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

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

*Source: Desert Sands Unified School District.*

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

| Fiscal Year | Lease Payment |
|---|---|
| 2012 | $120,485 |
| 2013 | 120,485 |
| 2014 | 28,805 |
| Total | 269,775 |

**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 herein that the principal and Maturity Value 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 *tax required to be levied by the County in an amount sufficient for the payment thereof.*

***2012-13 Budget.*** On June 27, 2012, the Governor signed into law the State budget for fiscal year 2012-13 (the "2012-13 Budget"). The Department of Finance has released its summary of the 2012-13

Budget (the "Department of Finance Report"). The following information is drawn from the Department of Finance Report.

The 2012-13 Budget seeks to close a budget gap of $15.7 billion through a combination of measures totaling $16.6 billion. Specifically, the 2012-13 Budget authorizes $8.1 billion of expenditure reductions (including $1.9 billion in reductions to Proposition 98 spending), $6 billion of revenue increases, and $2.5 billion of other measures. The 2012-13 Budget assumes voter approval of a modified tax initiative proposed by the Governor in his May revision to the proposed State budget (the "May Revision"). The tax initiative would temporarily increase personal income taxes on the State's wealthiest taxpayers for seven years and would increase the State sales tax by one-quarter percent for four years. The 2012-13 Budget estimates that the tax initiative will generate approximately $8.5 billion through fiscal year 2012-13. The 2012-13 Budget assumes an attendant increase of $2.9 billion to State funding for school districts and community colleges, resulting in a net benefit to the State's general fund of $5.6 billion.

With the implementation of all measures, the 2012-13 Budget assumes, for fiscal year 2011-12, total revenues of $86.8 billion and expenditures of $87.0 billion. The State is projected to end fiscal year 2011-12 with a total budget deficit of $3.6 billion. For fiscal year 2012-13, the 2012-13 Budget projects total revenues of $95.9 billion and authorizes total expenditures of $91.3 billion. The State is projected to end the 2012-13 fiscal year with a total budget surplus of $948 million.

In the event the Governor's tax initiative is rejected by voters, the 2012-13 Budget authorizes an additional $6 billion of trigger reductions to become effective on January 1, 2013. The trigger reductions include approximately $5.4 billion of reductions to Proposition 98 funding for schools and community colleges. The 2012-13 Budget indicates that such a reduction be equivalent to the cost of three weeks worth of instruction. This trigger reduction would also eliminate the ability of the State to begin repaying existing apportionment deferrals to schools and community colleges. Additional triggers are as follows: (i) $250 million reduction to each of the University of California and California State University systems, (ii) $50 million reduction to the Department of Developmental Services, (iii) $20 million reflecting the elimination of certain city police grants, (iv) $5 million reduction to local water safety patrols, (v) $10 million reduction to the Department of Forestry and Fire Protection, (vi) $6.6 million reduction to Department of Water Resources flood control programs, which would reduce channel and levee maintenance and floodplain mapping; (vii) $1.1 million reduction to the departments of Parks and Recreation and Fish and Game reflecting a reduced number of state public safety officers, (viii) $1.4 million reduction reflecting the elimination of State beach lifeguards, and (ix) $1 million reduction to Department of Justice law enforcement programs.

For fiscal year 2012-13, the Proposition 98 minimum funding guarantee is set at $53.6 billion, including $36.8 billion from the State general fund. This funding level reflects the following significant adjustments and changes:

- *Proposition 98 Adjustments.* A funding decrease of approximately $630 million due to (1) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (2) a rebenching of the minimum funding guarantee to account for the exclusion of child care programs and the inclusion of special education mental health services from within the guarantee, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces fiscal year 2012-13 appropriations for a number of different programs by $220.1 million, backfilling them with available one-time funds.

- *Quality Education Investment Act ("QEIA").* The 2012-13 Budget authorizes the use of a fiscal year 2011-12 overappropriation of the Proposition 98 minimum funding guarantee to prepay legal settlement obligations required by QEIA. As a result, the 2012-13 Budget estimates a one-time savings during fiscal year 2012-13 of $450 million. The 2012-13 Budget also authorizes the use of this overappropriation to prepay QEIA obligations in fiscal years 2013-14 and 2014-15 to achieve projected savings in such fiscal years of $181 million and $40.8 million, respectively.

- *K-12 Deferral Reduction.* An increase of $2.1 billion in Proposition 98 funding to reduce K-12 inter-fiscal year apportionment deferrals from $9.5 billion to $7.4 billion. This deferral reduction is contingent on voter approval of the Governor's tax initiative.

- *Charter Schools.* A funding increase of $53.7 million to the Proposition 98 funding for charter school categorical programs to fund growth in charter school enrollment. In addition, the 2012-13 Budget implementing legislation expands the ability of schools district to convey surplus property to charter schools, while also increasing financing assistance to charter schools by allowing county treasurers to provide them with short-term loans, and by authorizing charter schools to participate in short-term tax and revenue anticipation note borrowing mechanisms already available to schools and county offices of education.

- *Educational Mandates.* As increase of $86.2 million funding support for K-12 educational mandates through a new voluntary block grant. Participating school districts and county offices of education would receive a $28 per-student allocation, while participating charter schools would receive $14 per student. Districts and county offices of education that choose not to participate in this block grant program would retain their right to submit claims for reimbursement, subject to audits by the State Controller.

- *State Preschool Programs.* The 2012-13 Budget includes a number of adjustments to State preschool programs, including (i) an increase of $163.9 million in Proposition 98 funding to cover the cost of part-day preschool services, (ii) an increase of $3.4 million to reflect increased fee assessments for preschool programs on families that are currently exempt from such fees (this is expected to offset Proposition 98 expenditures by a like amount); (iii) a decrease of $30 million in Proposition 98 funding to reflect an 8.7% across-the-board reduction to general child care programs, and (iv) a decrease of $11.9 million reflect the suspension of the statutory cost of living adjustment for preschool programs.

In addition, the 2012-13 Budget assumes an increase of $1.3 billion in local property taxes for fiscal year 2012-13 resulting from the distribution of cash assets previously held by redevelopment agencies. These increased local property taxes would offset Proposition 98 spending by an identical amount. The 2012-13 Budget notes that the May Revision assumed that K-14 school districts would receive $818 million in property tax revenues during fiscal year 2011-12 to offset State expenditures on Proposition 98 funding. The full amount of these payments were not made due to the timing of the Supreme Court's ruling in the *California Redevelopment Association v. Matosantos* case, as well as inconsistent interpretations of ABx1 26 at the local level. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22." The 2012-13 Budget seeks to create a one-time process to recapture these property tax revenues by requiring county auditor-controllers to bill successor agencies for the amounts that should have been distributed to the affected taxing agencies.

Additional information regarding the 2012-13 Budget may be obtained from the Department of Finance at www.dof.ca.gov. However, such information is not incorporated herein by any reference.

*[District Response to 2012-13 Budget.* If the Governor's tax initiative fails in November and the proposed trigger reductions are implemented in full, the District's revenue limit funding will be reduced by approximately $__________ for fiscal year 2012-13. The District did not assume passage of the Governor's November tax initiative in creating the revenue assumptions for its 2012-13 Adopted Budget. If such tax initiative fails and the trigger reductions are implemented in full, the revenue limit reduction in fiscal year 2012-13 will be offset by __________________. If the tax initiative fails and the trigger reductions are implemented in full, additional expenditure reductions will need to be made in subsequent fiscal years ]

***Recent Litigation Regarding State Budgetary Provisions.*** On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the State budget for fiscal year 2011-12 improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District makes no representations regarding the viability of the claims in the CSBA Petition, nor can the District predict whether the petitioners will be successful. Moreover, the District makes no representations as to how a final decisions by the Superior Court would affect the State's ability to fund education in fiscal year 2011-12, or in future fiscal years.

***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. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

## 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, 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 a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. The amount of original issue discount that accrues to the owner of the Bond is excluded from 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 on the Bonds (and original issue discount) 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 on the Bonds (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 the interest on the Bonds (and original issue discount) 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 Bondowner'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 Bondowner'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 Bondowner 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).

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 on the Bonds (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 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.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX B.

## LEGAL MATTERS

### Continuing Disclosure

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

[Within the past five years, the District has not failed to file any Annual Reports or provide notices of listed events as required by its existing continuing disclosure obligations, and the District is currently in compliance with its existing continuing disclosure obligations.]

### 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 California Government Code, are eligible for security for deposits of public moneys in the State.

### Absence of Material 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* taxes to collect other revenues or contesting the District's ability to issue and retire the Bonds.

### Information 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 is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any 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.

**Legal Opinion**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX B.

**Financial Statements**

Portions of the financial statements with supplemental information for the year ended June 30, 2011, 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 21, 2011 of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

## RATINGS

The Bonds have been assigned ratings of "___" and "___" by Moody's Investor Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively. The ratings reflect only the view 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 Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and Standard & Poor's, a Division of McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, New York 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.

## UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $__________, which is equal to the initial principal amount of the Bonds of $__________, plus original issue premium of $__________, less the Underwriter's discount of $__________, less a bond insurance premium of $__________ and less $__________ of original issue premium to be retained by the Underwriter to pay costs of issuance associated with the Bonds. The Contract of Purchase for the Bonds provides 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 said agreement, the approval of certain legal matters by counsel and certain other conditions.

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

## ADDITIONAL INFORMATION

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.

Some of the 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's Board of Education.

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

**DESERT SANDS UNIFIED SCHOOL DISTRICT**

By ____________________________________

Superintendent

# APPENDIX A

# EXCERPTS FROM THE 2010-11 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

## APPENDIX B

## FORM OF OPINION OF BOND COUNSEL

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

[Closing Date]

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 2001, Series 2012 (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 Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California, commencing with Section 15100 et seq., a two-thirds vote of the qualified electors of the Desert Sands Unified School District (the "District") voting at an election held on November 6, 2001, a resolution of the Board of Education of the District (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County, California (together with the District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of the District, payable as to principal, Maturity Value and interest from the proceeds of a levy of *ad valorem* 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; however, 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 alternative minimum 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. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate

sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner 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 Bondowner'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 Bondowner'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 Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. 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 Resolutions 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.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

## APPENDIX C

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Desert Sands Unified School District (the "District") in connection with the issuance of $____________ of the District's General Obligation Bonds, Election of 2001, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated September 18, 2012 (the "District Resolution"), and a Resolution of the Board of Supervisors Riverside County, dated October 23, 2012 (the "County Resolution"). The District Resolution and the County Resolution are herein referred to collectively as the "Resolutions." 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 Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, 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 U.S. Bank National Association, 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) of this Disclosure Certificate.

"Participating Underwriter" shall mean RBC Cpaital Markets, LLC or any of the original underwriters 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 270 days after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2011-12 Fiscal Year, provide to each 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(f).

(b) Not later than thirty (30) days (nor more than sixty (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 fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to each 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 Repositories 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 and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. 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.

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 each of the Repositories 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.

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 (within the meaning of the Rule) 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) or 5(b).

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 fifteen (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) or 5(b), 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 Underwriters, 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 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 Repositories. 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: ___________, 2012

DESERT SANDS UNIFIED SCHOOL DISTRICT

By: ______________________________

Dr. Sharon McGehee
Superintendent

**EXHIBIT A**

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: DESERT SANDS UNIFIED SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, Election of 2001, Series 2012

Date of Issuance: ________________, 2012

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

## [TO BE UPDATED PRIOR TO PRINTING]

## ECONOMIC AND DEMOGRAPHIC PROFILE OF THE CITIES OF INDIO AND PALM DESERT AND THE COUNTY OF RIVERSIDE

*The following information concerning the communities served by the District, including the Cities of Indio ("Indio") and Palm Desert ("Palm Desert"), and the County of Riverside (the "County") is included only for the purpose of supplying general information thereof. The Bonds are not obligations of the County of Riverside (the "County") and do not represent a lien or charge against any funds or property of County or of any city. The following information is provided only to give prospective investors an overview of the general economic condition of the County and the State of California (the "State").*

### General

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

### Population

The following table presents population figures for Indio and Palm Desert, the County and the State of California for the past 15 years.

**POPULATION**
**City of Indio, City of Palm Desert, Riverside County and the State of California**
**(1997-2011)**

| Year(1) | City of Indio | City of Palm Desert | Riverside County | State of California |
|---|---|---|---|---|
| 1997 | 45,200 | 36,767 | 1,420,573 | 32,207,869 |
| 1998 | 46,099 | 37,815 | 1,451,371 | 32,657,877 |
| 1999 | 47,301 | 39,424 | 1,490,474 | 33,140,771 |
| 2000 | 49,116 | 41,155 | 1,545,387 | 33,873,086 |
| 2001 | 49,681 | 41,685 | 1,589,708 | 34,256,789 |
| 2002 | 50,815 | 42,279 | 1,655,291 | 34,725,516 |
| 2003 | 52,551 | 43,204 | 1,730,219 | 35,163,609 |
| 2004 | 56,655 | 43,899 | 1,814,485 | 35,570,847 |
| 2005 | 62,024 | 47,422 | 1,895,695 | 35,869,173 |
| 2006 | 66,670 | 47,270 | 1,975,913 | 36,116,202 |
| 2007 | 70,948 | 46,867 | 2,049,902 | 36,399,676 |
| 2008 | 74,007 | 47,453 | 2,102,741 | 36,704,375 |
| 2009 | 74,590 | 47,993 | 2,140,626 | 36,966,713 |
| 2010 | 75,263 | 48,215 | 2,179,692 | 37,223,900 |
| 2011(2) | 77,165 | 49,111 | 2,217,778 | 37,510,766 |

(1) As of January 1, unless otherwise specified.
(2) April 1 data.
*Source: California State Department of Finance, Demographic Research Unit. March 2010 Benchmark.*

## Employment and Industry

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

**CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT AND UNEMPLOYMENT RATE**
**City of Indio, City of Palm Desert, Riverside County and State of California**
**Annual Averages Years 2005 through 2011[(1)]**

| Year[(2)] | Area | Labor Force | Employment | Unemployment | Unemployment Rate |
|---|---|---|---|---|---|
| 2005 | City of Indio | 25,400 | 23,900 | 1,500 | 5.9% |
| | City of Palm Desert | 24,200 | 23,400 | 800 | 3.1 |
| | Riverside County | 854,300 | 808,100 | 46,000 | 5.4 |
| | State of California | 17,544,800 | 16,592,200 | 952,600 | 5.4 |
| 2006 | City of Indio | 26,200 | 24,800 | 1,400 | 5.5% |
| | City of Palm Desert | 25,000 | 24,300 | 700 | 2.9 |
| | Riverside County | 883,400 | 841,700 | 44,600 | 5.0 |
| | State of California | 17,686,700 | 16,821,300 | 865,400 | 4.9 |
| 2007 | City of Indio | 26,900 | 25,100 | 1,800 | 6.5% |
| | City of Palm Desert | 25,500 | 24,600 | 900 | 3.5 |
| | Riverside County | 903,800 | 849,400 | 54,300 | 6.0 |
| | State of California | 17,928,700 | 16,970,200 | 958,500 | 5.3 |
| 2008 | City of Indio | 27,200 | 24,700 | 2,500 | 9.2% |
| | City of Palm Desert | 25,400 | 24,200 | 1,300 | 5.0 |
| | Riverside County | 912,100 | 834,700 | 77,400 | 8.5 |
| | State of California | 18,191,000 | 16,938,300 | 1,307,600 | 7.2 |
| 2009 | City of Indio | 27,400 | 23,500 | 4,000 | 14.5% |
| | City of Palm Desert | 25,000 | 23,000 | 2,000 | 8.0 |
| | Riverside County | 916,600 | 793,600 | 123,000 | 13.4 |
| | California | 18,204,200 | 16,141,500 | 2,062,700 | 11.3 |
| 2010 | City of Indio | 27,400 | 23,000 | 4,400 | 15.9% |
| | City of Palm Desert | 24,800 | 22,600 | 2,200 | 8.8 |
| | Riverside County | 913,800 | 779,500 | 134,300 | 14.7 |
| | California | 18,176,300 | 15,916,300 | 2,259,900 | 12.4 |
| 2011[(3)] | City of Indio | 27,500 | 23,800 | 3,700 | 13.5% |
| | City of Palm Desert | 25,200 | 23,300 | 1,900 | 7.4 |
| | Riverside County | 918,800 | 804,100 | 114,700 | 12.5 |
| | California | 18,172,000 | 16,185,100 | 1,987,100 | 10.9 |

(1) Data not seasonally adjusted.
(2) Annual averages, unless otherwise specified.
(3) Reflects December 2011 data.
*Source: State of California Employment Development Department. March 2010 Benchmark.*

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 the calendar years 2006 through 2011. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends within the communities served by the District.

**ESTIMATED WAGE AND SALARY WORKERS BY INDUSTRY**
**Riverside-San Bernardino-Ontario Metropolitan Statistical Area**
**2006-2011[(1)]**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011[(2)] |
|---|---|---|---|---|---|---|
| Total Farm | 17,300 | 16,400 | 15,900 | 14,900 | 14,800 | 15,600 |
| Mining and Logging | 1,400 | 1,300 | 1,200 | 1,100 | 1,000 | 1,000 |
| Construction | 127,500 | 112,500 | 90,700 | 67,900 | 59,500 | 56,200 |
| Manufacturing: | 123,400 | 118,500 | 106,900 | 88,800 | 84,600 | 84,700 |
| Service Providing: | | | | | | |
| Wholesale Trade | 54,200 | 56,800 | 54,100 | 48,900 | 48,800 | 52,600 |
| Retail Trade | 173,200 | 175,600 | 168,600 | 156,200 | 154,600 | 162,000 |
| Transportation, Warehousing & Utilities | 63,800 | 69,500 | 70,200 | 66,800 | 66,500 | 285,800 |
| Information | 15,300 | 15,400 | 14,900 | 15,100 | 15,900 | 16,300 |
| Financial Activities | 51,500 | 49,800 | 46,100 | 42,500 | 41,100 | 40,400 |
| Professional & Business Services | 142,400 | 145,200 | 137,700 | 124,300 | 121,500 | 129,000 |
| Education & Health Services | 122,100 | 127,200 | 131,800 | 133,600 | 133,800 | 139,100 |
| Leisure & Hospitality | 128,100 | 132,600 | 131,000 | 123,800 | 122,100 | 125,600 |
| Other Services | 42,500 | 41,200 | 40,800 | 37,300 | 37,500 | 38,100 |
| Government | 222,500 | 225,300 | 229,900 | 228,400 | 224,300 | 226,100 |
| Total (all industries) | 1,285,000 | 1,287,300 | 1,239,700 | 1,149,700 | 1,126,000 | 1,157,900 |

(1) Annual averages, unless otherwise specified
(2) December 2011 data.
Note: Items may not add to total due to independent rounding.
*Source: California Employment Development Department, Labor Market Information Division. March 2010 Benchmark.*

## Employers

The following table sets forth the major employers located in the County for 2011.

**MAJOR EMPLOYERS**
**County of Riverside**
**2011**

| Rank | Name of Business | Employees in Riverside County | Type of Business |
|---|---|---|---|
| 1. | County of Riverside | 18,000 | County Government |
| 2. | March Air Reserve Base | 8,525 | Military Reserve Base |
| 3. | Stater Bros. Markets | 6,902 | Supermarkets |
| 4. | University of California, Riverside | 4,907 | University |
| 5. | Corona Norco Unified School District | 4,400 | School District |
| 6. | Pechanga Resort & Casino | 4,000 | Casino & Resort |
| 8. | Riverside Unified School District | 3,900 | School District |
| 9. | Kaiser Permanente Riverside Medical Center | 3,500 | Medical Center |
| 10. | Riverside Community College | 3,141 | School District |
| 11. | Abbot Vascular | 3,000 | Medical Instruments Manufacturer |

*Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2011.*

**Effective Buying Income**

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

**ESTIMATED ANNUAL MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME**
**Riverside County and State of California**
**2004-2009**

| | Median Held EBI[(1)] | % of Households with EBI over $50,000 |
|---|---|---|
| 2004 | | |
| Riverside County | $40,275 | 37.1% |
| State of California | 43,915 | 42.5 |
| 2005 | | |
| Riverside County | $41,326 | 38.9% |
| State of California | 44,681 | 43.7 |
| 2006 | | |
| Riverside County | $43,490 | 41.8% |
| State of California | 46,275 | 45.6 |
| 2007 | | |
| Riverside County | $45,310 | 44.3% |
| State of California | 48,203 | 47.9 |
| 2008 | | |
| Riverside County | $46,958 | 46.2% |
| State of California | 48,952 | 48.8 |
| 2009 | | |
| Riverside County | $46,406 | 45.5% |
| State of California | 48,952 | 48.8 |

(1) Dollars in thousands.
*Sources: Sales & Marketing Management Magazine "Survey of Buying Power" for year 2004Source: "Taxable Sales in Demographics USA for years 2005 and 2006.*
*Sales & Marketing Management Magazine "Survey of Buying Power" for years 2007 through 2009.*

**Retail Trade**

The following table shows a six-year history of taxable transactions in the County.

**TAXABLE SALES TRANSACTIONS**
**County of Riverside**
**(dollars are in thousands)**

| | Retail Stores | | | Total Outlets |
|---|---|---|---|---|
| Year | Retail Permits | Taxable Transactions | Total Permits | Taxable Transactions |
| 2005 | 22,691 | $20,839,212 | 44,222 | $28,256,491 |
| 2006 | 23,322 | 21,842,345 | 43,672 | 29,816,237 |
| 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(1) | 32,534 | 12,269,259 | 45,688 | 16,865,032 |

(1) Reflects taxable sales through the first three quarters of 2010.
Note: In 2009, retail permits expanded to include permits for food services.
*Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.*

The following tables show five-year histories of taxable sales in Indio and Palm Desert.

**CITY OF INDIO**
**Taxable Sales**
**(dollars are in thousands)**

| | | Retail Stores | | Total Outlets |
|---|---|---|---|---|
| Year | Retail Permits | Taxable Transactions | Total Permits | Taxable Transactions |
| 2005 | 840 | $675,657 | 1,688 | $793,341 |
| 2006 | 955 | 703,726 | 1,829 | 837,877 |
| 2007 | 1,048 | 521,813 | 1,607 | 615,851 |
| 2008 | 1,153 | 539,400 | 2,260 | 673,527 |
| 2009 | 1,651 | 460,477 | 2,065 | 566,670 |
| 2010[1] | 2,160 | 355,768 | 2,636 | 429,729 |

[1] Reflects taxable sales through the first three quarters of 2010.
Note: In 2009, retail permits expanded to include permits for food services.
*Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.*

**CITY OF PALM DESERT**
**Taxable Sales**
**(dollars are in thousands)**

| | Retail Stores | | | Total Outlets |
|---|---|---|---|---|
| | Retail | Taxable | | Taxable |
| Year | Permits | Transactions | Total Permits | Transactions |
| 2005 | 1,733 | $1,317,337 | 3,263 | $1,529,342 |
| 2006 | 1,661 | 1,373,122 | 3,091 | 1,593,699 |
| 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[(1)] | 2,341 | 765,824 | 3,089 | 890,541 |

(1) Reflects taxable sales through the first three quarters of 2010.
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 provide summaries of the building permit valuations and the number of new dwelling units authorized in the County and certain cities within the District from 2006 through 2010.

**BUILDING PERMIT VALUATION**
**County of Riverside**
**(Dollars in Thousands)**
**2006-2010**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Valuation ($000): | | | | | |
| Residential | $5,001,935 | $2,589,426 | $1,576,984 | $1,053,694 | $1,079,637 |
| Non-residential | 1,529,834 | 1,474,851 | 1,041,813 | 376,819 | 539,379 |
| Total* | $6,531,769 | $4,064,277 | $2,618,797 | $1,430,513 | $1,619,016 |
| Residential Units: | | | | | |
| Single family | 20,692 | 9,766 | 3,815 | 3,431 | 4,031 |
| Multiple family | 4,519 | 2,679 | 2,104 | 759 | 526 |
| Total | 25,211 | 12,445 | 5,919 | 4,190 | 4,557 |

* Totals may not add to sums because of rounding.
*Source: Construction Industry Research Board.*

**BUILDING PERMIT VALUATION**
**Cities of Indian Wells, Indio, La Quinta, Palm Desert and Rancho Mirage**
**(Dollars in Thousands)**
**2006-2010**

| City | Valuation ($000) | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Indian Wells | Residential | $42,405 | $38,430 | $14,635 | $9,415 | $7,305 |
| | Non-residential | 18,083 | 20,152 | 7,840 | 5,448 | 3,639 |
| | Total | 60,488 | 58,582 | 22,476 | 14,863 | 10,944 |
| Indio | Residential | $421,765 | $64,709 | $37,176 | $42,077 | $37,959 |
| | Non-residential | 64,351 | 40,823 | 52,088 | 12,458 | 8,992 |
| | Total | 486,116 | 105,532 | 89,264 | 54,535 | 46,951 |
| La Quinta | Residential | $200,611 | $115,039 | $89,913 | $28,608 | $24,061 |
| | Non-residential | 59,951 | 31,868 | 45,380 | 9,332 | 12,693 |
| | Total | 260,561 | 146,908 | 135,293 | 37,940 | 36,754 |
| Palm Desert | Residential | $163,105 | $155,872 | $130,251 | $18,674 | $35,492 |
| | Non-residential | 94,311 | 80,465 | 51,303 | 40,241 | 24,032 |
| | Total | 257,416 | 236,337 | 181,554 | 58,915 | 59,924 |
| Rancho Mirage | Residential | $43,692 | $36,461 | $16,564 | $23,462 | $18,359 |
| | Non-residential | 32,824 | 96,814 | 25,370 | 23,570 | 11,243 |
| | Total | 76,516 | 133,275 | 41,934 | 47,032 | 29,602 |

*Source: Construction Industry Research Board.*

# APPENDIX E

# TABLE OF ACCRETED VALUES