

RESOLUTION NO. 2013-54

RESOLUTION OF THE BOARD OF TRUSTEES OF THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$21,000,000 PRINCIPAL AMOUNT OF COACHELLA VALLEY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES A, PRESCRIBING THE TERMS OF SUCH BONDS AND THEIR SALE, AUTHORIZING EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, AUTHORIZING EXECUTION OF CERTAIN DOCUMENTS AND AGREEMENTS IN CONNECTION WITH THE ISSUANCE OF BONDS; MAKING CERTAIN FINDINGS AND DETERMINATIONS AND TAKING RELATED ACTIONS

WHEREAS, the Coachella Valley Unified School District (“District” or “School District”) is a public school district organized and operating within the County of Riverside (“Riverside County”) and the County of Imperial (“Imperial County”) pursuant to the laws of the State of California (“State”), including, but not limited to, the California Constitution and the California Education Code (“Education Code”); and

WHEREAS, the issuance of not to exceed \$41,000,000 aggregate principal amount of general obligation bonds of the District was authorized (“Bond Authorization”) at an election duly called and regularly conducted within the District on November 6, 2012 (further identified as “Measure X”) (“Bond Election”), which Bond Election was conducted pursuant to the provisions of the “Safer Schools, Smaller Classes and Financial Accountability Act” (also known as “Proposition 39”), the California Constitution and related California law; and

WHEREAS, the results of the Bond Election were certified by this Board of Trustees of the District (“District Board”) by adoption of Resolution No. 2013-44, adopted on January 17, 2013, pursuant to State law, and which Resolution No. 2013-44 has been filed as required by State law; and

WHEREAS, the proceeds of general obligation bonds issued pursuant to the Bond Authorization are to be used for identified projects (as set out in District Resolution No. 2012-87, adopted on June 14, 2012 (“Resolution No. 2012-87”), which is incorporated herein by this reference) as approved by the voters in the Bond Election; and

WHEREAS, the Riverside County Superintendent of Schools has jurisdiction over the District and as such, pursuant to Education Code Section 15140(a), authority for the issuance of authorized bonds of the District lies with Riverside County; and

WHEREAS, Sections 53506 *et seq.* of the California Government Code (“Government Code”) and Section 15140 of the Education Code of the State authorize the Board of Supervisors of Riverside County (“County Board”) to borrow funds through the issuance of general obligation bonds in the name and for the benefit of the District pursuant to resolutions adopted by the District Board and the County Board; and

WHEREAS, pursuant to Government Code Sections 53506 *et seq.*, and, to the extent applicable, Education Code Sections 15100 *et seq.*, the District Board has determined that it is in the best interests of the District at this time to authorize the issuance of a portion of such authorized but unissued general obligation bonds in the total principal amount of not to exceed \$21,000,000, which may be issued in subseries, (collectively the, "Bonds" or "Series A Bonds) and request the County Board to offer the Series A Bonds for sale pursuant to the request set forth herein; and

WHEREAS, the District Board has previously selected George K. Baum & Company, to act as its Underwriter ("Underwriter"), and has retained Bowie, Arneson, Wiles & Giannone as Bond Counsel ("Bond Counsel") and Kronick, Moskovitz, Tiedemann & Girard as Disclosure Counsel ("Disclosure Counsel") to the District in connection with the issuance and sale of the Series A Bonds; and

WHEREAS, Proposition 39, and related California statutory provisions, require that the District comply with various accountability measures, as further described below, which the District has either previously complied with, or will comply with, during the course of issuing the Series A Bonds and/or expending the Series A Bond proceeds; and

WHEREAS, based upon documentation presented to the District Board, the District Board is prepared to make certain findings and determinations concerning the issuance and sale of the Series A Bonds and the levy of taxes to pay principal and interest on the Series A Bonds pursuant to State law; and

WHEREAS, pursuant to Government Code Sections 53506 *et seq.*, and Education Code Sections 15140 and/or 15146, as applicable, the Board of Trustees desires that the Series A Bonds be sold through a negotiated sale with the Underwriter and that the sale thereof may involve the purchase of a municipal bond insurance policy; and

WHEREAS, the District Board has been presented with the forms of a Bond Purchase Agreement and a Continuing Disclosure Certificate relating to the Series A Bonds, which documents are on file with the Clerk of the District Board; and

WHEREAS, the District Board has received additional information concerning the sale of the Series A Bonds, including, but not limited to, information concerning anticipated estimated costs of issuance of the Series A Bonds (as further set forth herein); and

WHEREAS, the District Board desires to make certain findings, and authorize and direct certain actions with respect to the issuance, sale and delivery of the Series A Bonds as set forth herein; and

WHEREAS, the District Board requests that the Auditor-Controller of Riverside County, and the County Assessor of Imperial County, levy on their respective 2013/2014 tax rolls, and all subsequent tax rolls, as applicable to the Series A Bonds as issued and sold, taxes to be levied only against property within the boundaries of the District, in an amount sufficient to pay the principal and interest on the Series A Bonds as such shall become due; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including Series A Bonds, is within all limits prescribed by law; and

WHEREAS, based on the foregoing, the District Board has determined that it is appropriate to adopt this Resolution, including making certain findings and directing certain related actions and requesting that the Series A Bonds be issued through Riverside County on behalf of the District.

NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Incorporation of Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.

Section 2. Conditions Precedent. The District Board determines that all acts and conditions necessary to be performed by the District Board or to have been met precedent to and in the issuing and sale of the Series A Bonds in order to make them legal, valid and binding general obligations of the District secured by the levy of *ad valorem* taxes have been performed and have been met, or will at the time of delivery of the Series A Bonds have been performed and met, in regular and due form as required by law; that the Board of Supervisors of Riverside County and the appropriate officers of Imperial County each have the power and are obligated to levy *ad valorem* taxes for the payment of the Series A Bonds and the interest thereon without limitation as to rate or amount upon all property within the District subject to taxation (except for certain classes of personal property); and that no statutory or Constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Series A Bonds.

Section 3. Amount and Purpose of Bonds. The Series A Bonds of the District in the aggregate principal amount of not to exceed \$21,000,000 shall be offered for sale, the proceeds of which are to be used for the purposes set out in District Resolution No. 2012-87 and as approved at the Bond Election and to pay all necessary and appropriate costs or expenses incurred in the issuance of the Series A Bonds pursuant to Government Code Section 53509.5(b), and, as applicable, Education Code Sections 15145 and 15146 and applicable State law.

Section 4. Authority for Issuance of Bonds. That the Series A Bonds shall be issued and offered for sale by the County, on behalf of the District, pursuant to and in accordance with the California Constitution, the Bond Authorization, this Resolution, the County Resolution (as defined below), and Government Code Sections 53506 *et seq.*, and, to the extent applicable, Education Code Sections 15266, 15100 *et seq.* and 15140 *et seq.*

Section 5. Sale of Bonds: Designation.

(a) The County Board is hereby authorized and directed to issue and sell an aggregate principal amount of not to exceed \$21,000,000 of Series A Bonds authorized at the

aforementioned Bond Election to be designated as “Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series A” or such other designation(s) as the Superintendent of the District (“Superintendent”) or the Superintendent's designee(s) (as described herein), may approve. The resolution of the County Board providing for the issuance and sale of the Series A Bonds is in certain instances herein referred to as the “County Resolution.”

(b) The Series A Bonds may be issued in one or more subseries as shall be determined by the Designated Officer(s) (as defined herein) and as set out in the Purchase Agreement (as defined and described herein). Each subseries of the Series A Bonds shall be issued as either Tax-Exempt Series A Bonds or Taxable Series A Bonds (both as defined herein) as shall be determined by the Designated Officer(s) of the District and as set out in the Purchase Agreement. The District Board hereby delegates to the Designated Officer(s) the authority to determine the amount of each subseries of the Series A Bonds and to make such other and further findings as shall be necessary to issue and sell the Series A Bonds as Tax-Exempt Series A Bonds and/or Taxable Series A Bonds as shall be required and which provisions are not in conflict with or in substitution for the provisions of this Resolution.

(c) The Designated Officer(s) are authorized to omit from, add to or incorporate into the designation and title of the Series A Bond contained in this Resolution any provision, or modify such designation or title in any other manner, in which may be deemed necessary or advisable by such Designated Officer(s) in connection with the issuance, sale and delivery of, and security for, each subseries of the Series A Bond and which is not inconsistent with the provisions of this Resolution.

(d) The proceeds of the Series A Bonds, regardless of subseries, shall be expended for the purposes set forth in the ballot submitted to the voters, approved in the Bond Election and subject to State law and to pay costs of issuance of the Series A Bonds. The Series A Bonds shall otherwise conform to the requirements set forth herein and in the County Resolution.

Section 6. Negotiated Sale. The County Board is hereby requested to issue the Series A Bonds to be sold at a negotiated sale in accordance with the terms and conditions, including provisions for the optional redemption of the Series A Bonds, in substantially the form set forth in the Bond Purchase Agreement (“Purchase Agreement”) by and among Riverside County, the District and the Underwriter, the form of which is attached hereto as Exhibit “A” and incorporated herein by this reference.

Section 7. Form of Purchase Agreement; Execution and Delivery.

(a) The form of the Purchase Agreement is hereby approved. The Superintendent and such other officers of the District as may be authorized by the District Board or Superintendent (each a “Designated Officer”) are, and each of them acting alone hereby is, authorized to execute and deliver, with the Riverside County Treasurer (“Treasurer”), to the Underwriter the Purchase Agreement on behalf of the District, with such changes therein as the Designated Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District and subject to the terms and conditions set forth in the County Resolution. Such approval shall be conclusively evidenced by such Designated Officer's execution and delivery thereof. The Designated Officer, in consultation with the Underwriter,

Bond Counsel, and the Treasurer, is authorized and directed to establish or modify the terms of redemption of the Series A Bonds and establish the final principal amount of the Series A Bonds, provided, however, that such principal amount shall not exceed \$21,000,000. The Designated Officer is also authorized and directed to negotiate, in cooperation with the Treasurer, with the Underwriter the interest rates on the Series A Bonds, not to exceed the maximum rates permitted by law, and the Underwriter's discount shall not exceed three tenths of one percent (0.30%) of the principal amount of the Series A Bonds (exclusive of any premium paid on the Series A Bonds, costs of issuance of the Series A Bonds which may be paid by the Underwriter, and/or original issue discount, if any, which original issue discount shall not exceed 5.00%). The Designated Officer, in consultation with the Underwriter, and the Treasurer is authorized to determine or accept the principal amount of each maturity of the Series A Bonds, other terms as set out in Section 5, the redemption provisions for the Series A Bonds, as applicable, the funding of any capitalized interest for the Series A Bonds (as determined to be necessary or appropriate) and the final purchase price for the Series A Bonds (subject to the limitations set forth herein) which shall be set forth in the Purchase Agreement. The term of the Series A Bonds shall be for not more than the statutory maximum from the date of issuance of the Series A Bonds.

(b) The Designated Officer is also authorized, in consultation with the Treasurer, the Underwriter and Bond Counsel, to elect to purchase a policy of bond insurance for the Series A Bonds to the extent such action is determined to be in the best interests of the District.

(c) The Series A Bonds, regardless of subseries, shall be issued as current interest bonds (as described in the County Resolution).

Section 8. Additional Terms of Sale.

As additional proceedings of the District in connection with any of the transactions authorized by this Resolution, there is hereby delegated to the Designated Officer(s), the power to take the following actions and make the following determinations:

(a) To determine, subject to the provisions of this Resolution, whether the Series A Bonds shall be issued in one or more subseries for purposes of issuance and sale, the respective principal amounts, maturity dates, interest rate or rates or yield or yields to maturity or the methods of determining such interest rate or rates, Interest Payment Dates, redemption provisions and authorized denomination (not exceeding the aggregate principal amount of each maturity) of the Series A Bonds or each subseries thereof and any other provisions necessary to comply with this Resolution and the County Resolution or deemed necessary or advisable by such Designated Officer and which provisions are not in conflict with or in substitution for the provisions of this Resolution;

(b) To determine whether each subseries of the Series A Bonds shall be issued as either Tax-Exempt Series A Bonds or Taxable Series A Bonds (each as defined herein);

(c) To determine the application of the proceeds of the Series A Bonds for the purposes stated herein, including, without limitation, the amount of capitalized interest, if any, that will be funded for each subseries of the Series A Bonds from the proceeds of the Series A Bonds and the date or dates through which such capitalized interest will be funded;

(d) The Designated Officer(s) are authorized to allocate costs of issuance which are common to the Taxable Series A Bonds and the Tax-Exempt Series A Bonds in a manner which is consistent with State and federal law in consultation with Bond Counsel. A portion of the proceeds of the Tax-Exempt Series A Bonds may be used to pay costs of issuance with respect to the Taxable Series A Bonds. For federal tax law purposes, this use of the proceeds of the Tax-Exempt Series A Bonds constitutes a working capital expenditure rather than a capital expenditure. However, the amount of proceeds that are used in this manner will not exceed the maximum permitted limit of working capital expenditures described in the treasury regulations promulgated under Section 148 of the Code;

(e) In connection with any of the transactions authorized by this Resolution and the County Resolution, to make such amendments, modifications and revisions to the form(s) of the Series A Bonds prior to, or simultaneously with, the issuance of the initial subseries of the Series A Bonds as (i) may be requested by any rating agency in connection with obtaining a rating on any subseries of the Series A Bonds from such rating agency, (ii) may be requested by the Bond Insurer in connection with obtaining a bond insurance policy for any subseries of the Series A Bonds, (iii) the Designated Officer may determine, in consultation with the Bond Counsel, are necessary or advisable in order to (a) reflect the actual provisions of this Resolution that shall be applicable to any subseries of the Series A Bonds, or (b) facilitate the issuance and sale of the Series A Bonds and to provide a mechanism for paying all or a portion of the costs and expenses incurred by the District in connection with the transactions contemplated by this Resolution, including, without limitation, the costs and expenses described in Sections 20 and 21; provided, however, that (A) the provisions of Section 7 hereof relating to the maximum aggregate principal amount of the Series A Bonds, the final maturity date thereof, and (B) no such amendments, modifications or revisions shall be inconsistent with the provisions of this Resolution and the County Resolution.

Section 9. Certain Definitions. Unless otherwise set forth herein, as used in this Resolution, the terms and phrases set forth below shall have the following meanings ascribed to them:

(a) "Taxable Series A Bonds" means any Series A Bonds (regardless of final designation) the interest on which is includable in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

(b) "Tax-Exempt Series A Bonds" means any Series A Bonds (regardless of final designation) the interest on which is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

Section 10. Book-Entry Form. The Series A Bonds shall be initially issued in book-entry form, to be lodged with The Depository Trust Company ("DTC") in New York, New York, which shall be the registered owner of the Series A Bonds issued at the closing in the form of a single, certificated Bond for each maturity. The Designated Officer is hereby authorized to take all actions necessary or appropriate to facilitate such filing and lodgment. The Underwriter is requested to assist the District and Riverside County in qualifying the Series A Bonds for deposit with DTC. The District Board hereby authorizes and directs the Designated Officer to execute and deliver such documents and letter as are necessary or desirable to qualify the Series A Bonds as part of such book-entry form and system.

Section 11. Paying Agent. U.S. Bank National Association shall serve as the initial Paying Agent for the Series A Bonds, recognizing that any fees incurred therefore in the first year may be paid from proceeds of the Series A Bonds and subsequent annual fees, if any, shall be paid out of the Debt Service Fund to be established for the Series A Bonds to the extent that there are funds remaining after payment of the principal and interest on the Series A Bonds in that year, and if such funds are insufficient, from the General Fund of the District.

Section 12. Levy and Collection of Taxes. Pursuant to Education Code Sections 15250 *et seq.* and 15260 *et seq.* (or any successor sections thereto) the District, upon sale and delivery of the Series A Bonds, requests that the County Board, and the County Assessor of Imperial County, take action to levy, or cause to be levied, on all the taxable property in the District, commencing with the 2013/2014 tax year, or as may be applicable given the debt service requirements of the Series A Bonds as issued and sold, and subsequent tax years, in addition to all other taxes, a continuing direct *ad valorem* tax annually during the period the Series A Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series A Bonds when due in accordance with the terms of the Series A Bonds and the County Resolution. Pursuant to Education Code Sections 15260 *et seq.*, the Imperial County Assessor and Imperial County Auditor are directed and requested to comply with Education Code Sections 15260 and 15261 with respect to the taxes collected within the portion of the District within Imperial County.

Section 13. Tax Covenants.

(a) The District, in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Tax-Exempt Series A Bonds, hereby covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code, as set forth in the nonarbitrage (tax) certificate to be provided to the District by Bond Counsel, and executed by the District, on the date of initial delivery of the Series A Bonds and incorporated herein by this reference, as a source of guidance for compliance with such provisions.

(b) The District hereby covenants that it shall not, directly or indirectly, use or permit the use of any proceeds of any of the Tax-Exempt Series A Bonds, or of any of the property financed with the proceeds of the Tax-Exempt Series A Bonds, or other funds of the District, or take or omit to take any action that would cause the Tax-Exempt Series A Bonds to be deemed "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the District shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury promulgated under that section or any successor section to the extent that such requirements are in effect and applicable to the Tax-Exempt Series A Bonds.

(c) The District covenants that it shall (i) make all calculations in a reasonable and prudent fashion relating to any rebate or excess investment earnings on the proceeds of the Tax-Exempt Series A Bonds due to the United States Treasury; and (ii) cause to be segregated and set aside from lawfully available sources held in the County treasury the amount such calculations indicate may be required to be paid to the United States Treasury. Based on such rebate calculations, the District will, to the extent required, cause to be set aside, from monies lawfully

available, the amount of such rebate in a separate fund that the District hereby agrees to cause to be established and maintained as set forth in Section 13(b) hereof and in the County Resolution.

(d) The District Board hereby authorizes Bond Counsel and District staff to draft, complete, execute and include in the documents delivered in connection with the issuance and sale of the Tax-Exempt Series A Bonds, such statements and directives as may be necessary and convenient in order to meet federal tax goals or requirements in connection with maintaining the tax-exempt status of the Tax-Exempt Series A Bonds. In addition to the foregoing, District staff is authorized to append to such Tax Certificate a post-issuance compliance policy and procedures (in the form provided by Bond Counsel) to provide for on-going monitoring and compliance actions with respect to the Tax-Exempt Series A Bonds.

(e) The District represents that it shall not take any action, or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Tax-Exempt Series A Bonds under Section 103 of the Code.

Section 14. Expenditure of Bond Proceeds. The District hereby covenants to expend all of the net Series A Bond proceeds, and interest earnings thereon, in accordance with applicable law, including, but not limited to, Chapter 1 of Part 10 of Division 1 of Title 1 of the California Education Code of the State of California (commencing with Section 15100), as amended. The District reserves the right to request that the County, upon issuance and sale of the Series A Bonds, deposit a portion of the proceeds thereof in the Debt Service Fund (established pursuant to the County Resolution), or one or more accounts thereof, in order to pay interest on the Series A Bonds for a period not-to-exceed the statutory maximum.

Section 15. Preliminary Official Statement; Official Statement. Pursuant to the provisions of the Education Code, including, but not limited to, Education Code Section 15149, and federal disclosure requirements, a Preliminary Official Statement relating to the Series A Bonds has been prepared, and the use and distribution of the Preliminary Official Statement and a final Official Statement in connection with the sale of the Series A Bonds is hereby authorized. The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Series A Bonds. The Designated Officer is authorized to approve, execute, and deliver, as applicable, copies of the Preliminary Official Statement and the final Official Statement, with such changes therein as such officer shall approve, in his or her discretion as being in the best interests of the District. Upon approval of such changes by such officer, the Preliminary Official Statement shall be deemed final as of its date, except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The District Board hereby authorizes and directs the Designated Officer to deliver to the Underwriter a certificate to the effect that the District deems the Preliminary Official Statement, in the form approved by the Designated Officer, to be final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted under such Rule).

Section 16. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate (as defined below). Notwithstanding any other provisions of this Resolution, failure of the District to comply with the provisions of the Continuing Disclosure Certificate shall not be considered a

default by the District hereunder or under the Series A Bonds; however, any underwriter or any holder or beneficial Owner of the Series A Bonds may take such actions as may be necessary and appropriate to compel performance therewith, including seeking mandate or specific performance by court order.

For purposes of this Section, "Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Series A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. A form of the Continuing Disclosure Certificate is attached hereto as Exhibit "B" and incorporated by reference herein. The Designated Officer(s) are hereby authorized to approve, execute and deliver the final form of the Continuing Disclosure Certificate with such changes, insertions and deletions as may be approved by the Designated Officer, Bond Counsel or Disclosure Counsel, which approval shall be conclusively evidenced by execution and delivery thereof.

Section 17. County Books and Accounts. The Treasurer, the County and the Paying Agent are requested to keep, or cause to be kept, proper books of records and accounts to record (i) the amount of taxes collected pursuant to Section 12 hereof and the provisions of the County Resolution, (ii) all deposits, expenditure and investment earnings on the Debt Service Fund and the Costs of Issuance Fund and any and all accounts or subaccounts thereof, and (iii) all transfers of funds for the payment of Principal, Conversion Value and Accreted Value of, or interest or redemption premiums on, the Series A Bonds. The Paying Agent shall provide regular periodic written statements for the Costs of Issuance Fund to the District. Such books of record and accounts shall, upon reasonable notice, during regular business hours be subject to the inspection of the District, the Paying Agent (if other than the Treasurer) and the Owners of not less than ten percent (10%) of the Principal Amount of the Series A Bonds then Outstanding, or their representatives authorized in writing. Defined terms in this Section shall have the meaning(s) assigned thereto in the County Resolution. The Treasurer is requested to provide regular periodic statements of such funds and account to the District.

Section 18. Compliance with Proposition 39. The District hereby determines that it has complied, or will comply, with the applicable requirements prescribed by Proposition 39, and related applicable State statutory provisions, as follows:

(a) Pursuant to Section 1(b)(3) of Article XIII A of the California Constitution, the proceeds of the sale of the Series A Bonds (exclusive of costs of issuance and delivery of the Series A Bonds) ("Bond Proceeds" or "Series A Bond Proceeds") shall be used for the purposes specified in the list of specific school facilities projects set forth in Resolution No. 2012-87 and approved by the voters in the Bond Election ("School Facilities Project List") and not for any other purpose, including teacher and administrator salaries and any other school operating expenses.

(b) Pursuant to Section 1(b)(3) of Article XIII A of the California Constitution, the School Facilities Project List was made available to the public for review prior to and during the Bond Election, which included the District Board's evaluation of safety, class size reduction and information technology needs in developing the School Facilities Project List as set forth in Resolution No. 2012-87.

(c) Pursuant to Section 1(b)(3) of Article XIII A of the California Constitution, the District Board shall conduct, or cause to be conducted, annual, independent performance audits to ensure that the Series A Bond Proceeds have been expended only on the school facilities projects and capital expenditures identified in the School Facilities Project List.

(d) Pursuant to Section 1(b)(3) of Article XIII A of the California Constitution, the District Board shall conduct, or cause to be conducted, annual, independent financial audits of the Bond Proceeds until all of the Bond Proceeds have been expended for the school facilities projects and capital expenditures identified in the School Facilities Project List.

(e) Measure X and matters submitted to the voters as part of the Bond Election included statements in compliance with Education Code Section 15272.

(f) The Bond Election results were certified by the District Board pursuant to Resolution No. 2013-44, and such resolution will be filed as required under Education Code Sections 15124 and 15274.

(g) Pursuant to Education Code Sections 15278 *et seq.*, the District Board will establish its Citizens' Oversight Committee ("Committee") for Measure X and shall appoint members thereto pursuant to the Committee Policy and Regulations previously adopted by this District Board.

(h) Pursuant to Education Code Sections 15268 and 15270, based on estimates that assessed valuation will increase in accordance with Article XIII A of the California Constitution, the tax rate to be levied to meet the requirements of Section 18 of Article XVI of the California Constitution with regard to the Series A Bonds will not exceed Sixty Dollars (\$60) per year per One Hundred Thousand Dollars (\$100,000) of taxable property within the boundaries of the District. The District shall provide, or cause to be provided, a certificate specifying the estimated tax rate, and confirming compliance with this statutory requirement, at the time the Series A Bonds are delivered.

Section 19. Compliance with Certain Provisions of State Law; Annual Reporting.

That pursuant to Government Code Section 53410, the District Board hereby finds, determines and directs as follows:

(a) The Series A Bond Proceeds shall be used only for the purposes set forth in the School Facilities Project List, the construction proceeds of which have been, or will be, used only for the purposes set forth in the School Facilities Project List.

(b) One or more funds or accounts (which may include subaccounts) as further described herein and in the County Resolution shall be created into which the Series A Bond Proceeds shall be deposited.

(c) The District's Executive Director of Business & Finance, shall have the responsibility, no less often than annually, to provide to the District Board a written report which shall contain at least the following information:

- (i) The amount of the Series A Bond Proceeds received and expended during the applicable reporting period; and
- (ii) The status of the acquisition, construction or financing of the school facility projects, as identified in the bond measure, with the Series A Bond Proceeds.

The report(s) required by this Section 19(c) may be combined with other periodic reports which include the same information, including, but not limited to, periodic reports made to the California Debt and Investment Advisory Commission, continuing disclosure reports, financial statements and audits and/or other written reports made in connection with the Series A Bonds. The requirements of this Section 19(c) shall apply only until all the Series A Bonds are redeemed or defeased, but if the Series A Bonds, or any series of bonds, are refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased.

Section 20. Additional Findings and Directives. Pursuant to Education Code Section 15146(b) and (c), the District Board hereby finds, determines and directs as follows:

(a) The Series A Bonds shall be sold by negotiated sale to the Underwriter as set forth in Sections 5, 6, 7 and 8 of this Resolution and elsewhere herein.

(b) The Series A Bonds shall be sold by negotiated sale inasmuch as: (i) such a sale to the Underwriter will allow the District to integrate the sale of the Series A Bonds with other public financings undertaken, or to be undertaken, by the District in order to finance and fund public school facilities and equipment; (ii) such a sale will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; (iii) such a sale will allow the District to utilize the services of consultants at a lower cost than selecting, retaining and utilizing the services of consultants who are not familiar with the District, its financing needs and related matters; (iv) such a sale will allow the District to control the timing of the sale of the Series A Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Series A Bonds to such market; and (v) participation in the sale of the Series A Bonds with the District's current consultants allows the District to avoid incurring the costs of retaining a financial advisor (although the District may utilize the services of a pricing consultant in the sale of the Series A Bonds).

(c) The District intends that the Series A Bonds be sold to George K. Baum & Company, as Underwriter, pursuant to a negotiated sale and the terms and conditions of the Purchase Agreement. The District is represented by Bowie, Arneson, Wiles & Giannone as Bond Counsel and Kronick, Moskovitz, Tiedemann & Girard as Disclosure Counsel. The District is not expected to utilize the services of an outside financial advisor with respect to the Series A Bonds (although the District may utilize the services of a financial advisory firm as a pricing consultant in the sale of the Series A Bonds). If the District utilizes the services of a pricing consultant in the sale of the Series A Bonds the identity of such consultant shall be provided to the District Board following the retention of such consultant.

(d) The estimates of costs associated with the issuance and sale of the Series A Bonds include the following: (i) the Underwriter's discount shall be as described in Section 7 hereof; (ii) Bond Counsel and Disclosure Counsel fees are based upon the final par amount of the Series A

Bonds and are set out in the retention agreements with Bond Counsel and Disclosure Counsel, which are on file with the District; (iii) costs for purchase of a policy of bond insurance or other credit enhancement; and (iv) costs for printing of the Preliminary Official Statement and Official Statement, other legal counsel fees, rating agency fees and presentation, pricing consultant, the initial fees and expenses of the paying agent, California Municipal Statistics and other fees and expenses incident to the issuance and sale of the Series A Bonds are expected to be not greater than 2.5% of the expected maximum par amount of the Series A Bonds (currently estimated to be less than \$500,000), as further set forth in Exhibit "C" attached hereto. All such figures are estimates and shall not constrain or limit the District as to the issuance and sale of the Series A Bonds pursuant to the directives and conditions set forth herein.

(e) The District Board hereby directs that following the sale of the Series A Bonds, the District Board shall be presented with the actual costs of sale, issuance and delivery costs of the Series A Bonds at the next occurring meeting of the District Board for which such information can be determined and presented in accordance with State law.

(f) The District Board hereby directs that following the sale and delivery of the Series A Bonds that an itemized summary of the costs of the sale, issuance and delivery costs of the Series A Bonds shall be provided to the California Debt and Investment Advisory Commission (CDIAC). The District Board hereby determines that submission of such information as part of the filing of the Report of Final Sale for the Series A Bonds made to CDIAC pursuant to State law, including Government Code Section 8855, shall constitute compliance with the applicable requirements of Education Code Section 15146(c)(2).

(g) The District Board hereby directs that as part of the authorization for issuance, sale, issuance and delivery of the Series A Bonds that all necessary filings with CDIAC shall be completed by the District staff and/or its consultants or legal counsel on behalf of the District. The District Board directs that confirmation of such filings shall be included in the transcript of agreements, resolutions, proceedings and documents prepared and delivered in connection with the authorization for issuance, sale, issuance and delivery of the Series A Bonds.

Section 21. District Consultant Costs, County Costs, and Costs of Issuance Agreement.

(a) The District has retained the services of Bowie, Arneson, Wiles & Giannone to represent the District as Bond Counsel, and Kronick, Moskovitz, Tiedemann & Girard to represent the District as Disclosure Counsel. U.S. Bank National Association will serve as the District's initial Paying Agent. The Designated Officers are authorized to execute and deliver service agreements with such legal counsel and other service providers in connection with such services. The Superintendent of the District is hereby also authorized to retain such other and further consultants and services, including, but not limited to, printing services, legal services, assessment information and pricing consultant services as are necessary or desirable to facilitate the issuance, sale and delivery of the Series A Bonds.

(b) That this District Board authorizes the payment to Riverside County of out-of-pocket expenses and other costs incurred by Riverside County in connection with Riverside County's support of, and participation in, the issuance, sale and delivery of the Series A Bonds.

(c) As provided in the Purchase Agreement, the Underwriter may be required to pay a portion of the costs of issuance from allocated funds as a condition to the purchase of the Series A Bonds. The District Board hereby authorizes a Designated Officer(s) to acknowledge such a Costs of Issuance Custodian Agreement, or equivalent agreement, involving U.S. Bank National Association or another bank or financial institution. As may be provided in such agreement, amounts provided by the Underwriter for payment of costs of issuance shall be deposited thereunder and the payment of costs of issuance may be requisitioned by a Designated Officer(s) in accordance with such agreement.

Section 22. Approval of Actions. All actions heretofore taken by officers, agents and consultants of the District with respect to the sale and issuance of the Series A Bonds are hereby approved, confirmed and ratified. The President and Clerk of the District Board and the Superintendent and the Designated Officer(s) are each authorized and directed in the name and on behalf of the District to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series A Bonds. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in case such officer shall be absent or unavailable.

Section 23. Other Actions. The President and Clerk of the District Board, and the Designated Officers of the District, are authorized and directed to execute all documents and to take all actions necessary to cause or facilitate the issuance and delivery of the Series A Bonds.

Section 24. Partial Invalidity; Severability. If any one or more of the covenants or agreements, or portions thereof, provided in this Resolution on the part of the District to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreement or portions thereof and shall in no way affect the validity of this Resolution or of the Series A Bonds; but the Bond owners shall retain all rights and benefits accorded to them under any applicable provisions of law. The District hereby declares that it would have approved this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Series A Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 25. Governing Law. This Resolution shall be construed and governed in accordance with the laws of the State of California.

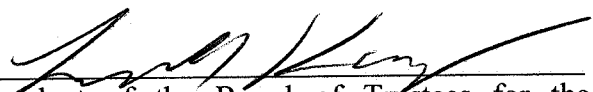
Section 26. Effective Date. This Resolution shall take effect immediately upon adoption.

Section 27. County Filing. The Clerk of the District Board is hereby directed to file, or cause to be filed, certified copies of this Resolution with the Clerk of the Riverside County Board of Supervisors and the Superintendents of Schools of Riverside County and Imperial County.

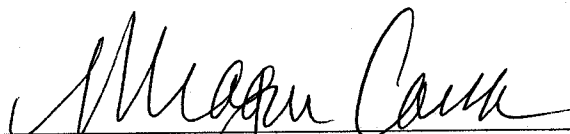
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ADOPTED, SIGNED and APPROVED this 14th day of March, 2013, by the Board of Trustees of the Coachella Valley Unified School District of the Counties of Riverside and Imperial, State of California.

**BOARD OF TRUSTEES OF THE COACHELLA
VALLEY UNIFIED SCHOOL DISTRICT**

By: 
President of the Board of Trustees for the
Coachella Valley Unified School District

ATTEST:

By: 
Clerk of the Board of Trustees for the Coachella
Valley Unified School District

STATE OF CALIFORNIA)
) ss.
COUNTIES OF RIVERSIDE)
AND IMPERIAL)

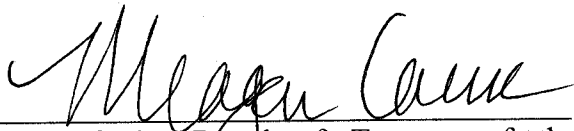
I, Meagan Caress, Clerk of the Board of Trustees of the Coachella Valley Unified School District, do hereby certify that the foregoing resolution was duly adopted by the Board of Trustees of the Coachella Valley Unified School District at a meeting thereof held on the 14th day of March, 2013, at which meeting a quorum of such Board was present and acting throughout and for which notice and an agenda was prepared and posted as required by law, and that such Resolution was so adopted by the following vote:

AYES: Lowell Kamper, Manuel Jarvis-Martinez, Meagan Caress, Juanita Duarte
 Maria Machuca, and Anna Lisa Vargas

NOES: None

ABSTAIN: None

ABSENT: None

By: 
Clerk of the Board of Trustees of the
Coachella Valley Unified School District

**NEW ISSUE
BOOK-ENTRY ONLY****RATINGS**

Moody's: _____

Standard & Poor's: _____

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series A-2 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Bond Counsel also observes that interest on the Series A-2 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. Bond Counsel is of the opinion that interest on the Series A-1 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Legal Matters – Tax Matters" herein.

[\$[PAR AMOUNT]]***COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside and Imperial Counties, California)****[\$[PAR AMOUNT]]*****GENERAL OBLIGATION BONDS,
2012 ELECTION, SUBSERIES A-1
(Federally Taxable)****[\$[PAR AMOUNT]]*****GENERAL OBLIGATION BONDS,
2012 ELECTION, SUBSERIES A-2
(Federally Tax-Exempt)****Dated: Date of Delivery****Due: August 1, as shown below**

At an election held on November 6, 2012, the voters of the Coachella Valley Unified School District (the "District") authorized the issuance and sale of up to \$41,000,000 principal amount of general obligation bonds of the District. The District's (i) General Obligation Bonds, 2012 Election, Subseries A-1 (the "Series A-1 Bonds"), and (ii) General Obligation Bonds, 2012 Election, Subseries A-2 (the "Series A-2 Bonds," and together with the Series A-1 Bonds, the "Bonds") are being issued pursuant to that authorization to finance the purchase of technology equipment and the construction, renovation and repair of infrastructure projects and facilities located within the District.

The Bonds are general obligation bonds of the District. The Boards of Supervisors of Riverside County and Imperial County are each empowered and obligated to levy *ad valorem* taxes, without limitation as to rate or amount (except certain personal property that is taxable at limited rates), upon all property within the District subject to taxation by the District for the payment of interest on and principal of the Bonds when due.

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

Interest on the Bonds accrues from the date of delivery, and is payable on August 1, 2013, and semiannually thereafter on February 1 and August 1 of each year. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as Paying Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein), who will remit such payments to the beneficial owners of the Bonds. (See Appendix G – Book-Entry Only System).

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The District has applied for municipal bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine, prior to the sale of the Bonds, whether to obtain such insurance.

**MATURITY SCHEDULES
(on inside front cover)**

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

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel. Certain matters will be passed on by Bowie, Arneson, Wiles & Giannone, as Counsel to the District. Certain matters will be passed on by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Disclosure Counsel. Certain matters will be passed on for the County of Riverside by County Counsel. The Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York, on or about _____, 2013.

MATURITY SCHEDULES*

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside and Imperial Counties, California)**

\$ _____*
**GENERAL OBLIGATION BONDS
2012 ELECTION, SUBSERIES A-1
(Federally Taxable)**

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

\$ _____ % Term Bond due August 1, 20____; Yield _____%; CUSIP Number _____†

\$ _____*
**GENERAL OBLIGATION BONDS
2012 ELECTION, SUBSERIES A-2
(Federally Tax-Exempt)**

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

\$ _____ % Term Bond due August 1, 20____; Yield _____%; CUSIP Number _____†

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

In connection with this offering, the Underwriter may overallocate or effect transactions that stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof and those public offering prices may be changed from time to time by the Underwriter.

* Preliminary, subject to change

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Estimates and Forecasts. When used in this Official Statement and in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements." 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.

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Documents. All summaries of the Resolutions or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents and do not purport to be complete statements of any or all of such provisions. Copies of documents referred to herein and other information concerning the Bonds are available from the Coachella Valley Unified School District, 87225 Church Street, Thermal, California 92274, telephone: (760) 399-5137. The District may impose a charge for copying, mailing and handling.

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

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

District Board of Trustees

Lowell Kamper, President
Manuel J. Martinez, Vice President
Meagan Caress, Clerk
Juanita D. Duarte, Member
Maria G. Machuca, Member
Joe Murillo, Member
Anna Lisa Vargas, Member

District Administration

Dr. Darryl S. Adams, Superintendent
John R. Ramont, Executive Director of Business & Finance

PROFESSIONAL SERVICES

Bond Counsel and District Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Underwriter

George K. Baum & Company
Sacramento, California

Disclosure Counsel

Kronick, Moskovitz, Tiedemann & Girard,
a Professional Corporation
Sacramento, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

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[\$[PAR AMOUNT]*
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside and Imperial Counties, California)

[\$[PAR AMOUNT]*
GENERAL OBLIGATION BONDS,
2012 ELECTION, SUBSERIES A-1
(Federally Taxable)

[\$[PAR AMOUNT]*
GENERAL OBLIGATION BONDS,
2012 ELECTION, SUBSERIES A-2
(Federally Tax-Exempt)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, is provided by the Coachella Valley Unified School District (the "District"), located principally in Riverside County, California, with a small portion of its territory located in Imperial County, to furnish information in connection with the sale of the District's (i) General Obligation Bonds, 2012 Election, Subseries A-1 (the "Series A-1 Bonds"), and (ii) General Obligation Bonds, 2012 Election, Subseries A-2 (the "Series A-2 Bonds," and together with the Series A-1 Bonds, the "Bonds"), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See Appendix C – "Form of Continuing Disclosure Certificate."

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

THE BONDS

Authority for Issuance

At an election held on November 6, 2012, the voters of the District authorized the issuance of \$41,000,000 principal amount of general obligation bonds by an affirmative vote of more than fifty-five percent of the votes cast in such election. The Board of Supervisors of Riverside County (the "County") will issue the Bonds on behalf of the District under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code and related State law and pursuant to resolutions adopted by the Board of Trustees of the District on March 12, 2013, and a resolution adopted by the Board of Supervisors of Riverside County on March ___, 2013 (together, the "Resolutions").

** Preliminary, subject to change*

Payment

The Bonds will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. The principal of and interest on the Bonds will be paid by U.S. Bank National Association, as the Paying Agent (the “Paying Agent”), to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. As long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds is payable by wire transfer with same-day funds transferred by the Paying Agent to Cede & Co., as nominee for DTC. As long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See Appendix E – “Book-Entry Only System” for more information about DTC.

Description of the Bonds

The Bonds will bear interest from their date of delivery. Interest on the Bonds is payable on August 1, 2013, and semiannually thereafter on February 1 and August 1 of each year (each, a “Bond Payment Date”). The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Redemption of the Bonds*

Optional Redemption of the Series A-1 Bonds. The Series A-1 Bonds maturing on or after August 1, 20___, are subject to redemption at the option of the District, from any source of available funds, as a whole or in part on August 1, 20___, or on any date thereafter at the principal amount thereof, without premium, plus interest accrued thereon to the date of redemption.

Optional Redemption of the Series A-2 Bonds. The Series A-2 Bonds maturing on or after August 1, 20___, are subject to redemption at the option of the District, from any source of available funds, as a whole or in part on August 1, 20___, or on any date thereafter at the principal amount thereof, without premium, plus interest accrued thereon to the date of redemption.

20___ Series A-1 Term Bonds Mandatory Sinking Fund Redemption. The Series A-1 Bonds maturing on August 1, 20___, are subject to redemption prior to maturity, in part, at random from mandatory sinking fund payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium:

** Preliminary, subject to change*

20 Series A-1 Term Bonds

Redemption Dates

(August 1)

Principal Amount

*

**Maturity*

20 Series A-2 Term Bonds Mandatory Sinking Fund Redemption. The Series A-2 Bonds maturing on August 1, 20__, are subject to redemption prior to maturity, in part, at random from mandatory sinking fund payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium:

20 Series A-2 Term Bonds

Redemption Dates

(August 1)

Principal Amount

*

**Maturity*

Selection of Bonds for Redemption. Whenever less than all of the outstanding Bonds are to be redeemed, the Paying Agent, upon written direction from the District will select the Bonds to be redeemed as so directed by the District, and if not so directed in inverse order of maturity, and within a maturity, the Paying Agent will select Bonds for redemption by lot. Redemption by lot will be in such manner as the Paying Agent will determine; provided, however, that the portion of any Bond to be redeemed in part will be in units of \$5,000 principal amount.

Notice of Redemption. Notice of any redemption of Bonds will be mailed (i) not less than 30 nor more than 60 days prior to the redemption date to the Registered Owners thereof at the addresses appearing on the bond registration books. Each notice of redemption will specify (a) the Bonds or designated portions thereof that are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, and (d) the redemption price.

The redemption notice will further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue.

Neither the failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of accrual of interest thereon from and after the redemption date.

Effect of Notice of Redemption. If notice of redemption is given as provided in the Resolutions and the amount necessary for the payment of the redemption price is held by the Paying Agent, then the Bonds, or portion thereof, designated for redemption shall become due and payable

at the redemption prices thereof and interest thereon shall cease to accrue. All Bonds redeemed will be cancelled by the Paying Agent.

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

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

Security

The Bonds are general obligation bonds of the District. The Boards of Supervisors of Riverside County and Imperial County are each empowered and obligated to levy *ad valorem* taxes, without limitation as to rate or amount upon all property subject to taxation within the District (except certain personal property that is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due. The Treasurer-Tax Collector of Riverside County will deposit the taxes, when collected, in the "Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series A-1 Bond Debt Service Fund" (the "Debt Service Fund"), which is irrevocably pledged for the payment of debt service on the Bonds. Although Riverside County and Imperial County are obligated to levy an *ad valorem* tax for the payment of the Bonds, and Riverside County will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of Riverside County or Imperial County. See "Property Taxation" herein for information on the District's tax base.

The District has applied for municipal bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine, prior to the sale of the Bonds, whether to obtain such insurance.

Purpose of the Issue

The net proceeds of the sale of the Bonds will be deposited into the "Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Building Fund" (the "Building Fund") and used to finance the purchase of technology equipment and the construction, renovation and repair of infrastructure projects and facilities located within the District. Any premium received

by the District from the sale of the Bonds will be deposited in the Debt Service Fund and used only for payment of debt service on the Bonds.

Estimated Sources and Uses of Funds

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

	<u>Series A-1</u>	<u>Series A-2</u>
	<u>Bonds</u>	<u>Bonds</u>
Sources of Funds		
Principal Amount		
Plus Net Original Issue Premium		
Total Sources		
Uses of Funds		
Deposit to Building Fund		
Deposit to Debt Service Fund ⁽¹⁾		
Costs of Issuance ⁽²⁾		
Total Uses		

(1) Deposit to Debt Service Fund represents net original issue premium on the Bonds.

(2) All estimated costs of issuance including, but not limited to, rating agency fees, underwriter's discount, printing costs, [bond insurance premium], and fees of Bond Counsel, District Counsel, Disclosure Counsel and Riverside County.

Annual Debt Service

The following tables present a schedule of the annual debt service for the Bonds, assuming no optional redemptions are made:

ANNUAL DEBT SERVICE

Year Ending (August 1)	<u>Series A-1 Bonds</u>		<u>Series A-2 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	

THE DISTRICT

General Information

The Coachella Valley Unified School District was established in 1973. The District encompasses an area of approximately 1,220 square miles. Most of its territory is within Riverside County, and a small portion of the District is within Imperial County. The District serves the local communities of La Quinta, Coachella, Thermal, Mecca, Oasis, North Shores, Indio, and Salton City. The District currently maintains fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two four-year high schools, one continuation high school, and an adult education extension program. The District also operates thirteen Headstart programs, four State Preschools, eight child care centers, and one teen parenting program at one four-year high school.

Administration

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. Current members of the Board, together with their offices and the dates their current terms expire, are listed below:

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
Board of Trustees**

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Lowell Kamper	President	December 2016
Manuel J. Martinez	Vice President	December 2016
Meagan Caress	Clerk	December 2016
Juanita D. Duarte	Member	December 2014
Maria G. Machuca	Member	December 2016
Joe Murillo	Member	December 2016
Anna Lisa Vargas	Member	December 2014

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other District administrators and supervisors. Dr. Darryl S. Adams is the District's Superintendent.

Employee Relations

As of June 30, 2012, the District employed [redacted] full-time equivalent certificated professionals and [redacted] full-time equivalent classified employees. District employees, except management and some part-time employees, are represented by two employee bargaining units as follows:

<u>Labor Organization</u>	<u>Number of Employees In Bargaining Unit</u>	<u>Contract Expiration Date</u>
Coachella Valley Teachers Association	[redacted]	June 30, 2012 ⁽¹⁾
California School Employees Association, Chapter #109	[redacted]	June 30, 2014

(1) [Negotiations for a new contract with the CVTA are ongoing.]
Source: Coachella Valley Unified School District.

Retirement Programs

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially

determined rate. The required employer contribution rate for Fiscal Year 2011-12 was 8.25% of annual payroll. The District's contributions to STRS for the Fiscal Years ended June 30, 2010, 2011, and 2012, were \$6,318,603, \$5,953,126, and \$5,874,778, respectively, and equalled 100% of the required contributions for each year; and the District's contribution to STRS for Fiscal Year 2012-13 is budgeted at \$6,181,222.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of the School Employer Pool, a "cost-sharing" pool for school employers within PERS. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each participant. The required employer contribution rate for Fiscal Year 2011-12 was 10.923% of annual payroll. The District's contributions to PERS for the Fiscal Years ended June 30, 2010, 2011, and 2012 were \$2,798,650, \$2,898,665, and \$2,891,616, respectively; and the District's contribution to PERS for Fiscal Year 2012-13 is budgeted at \$2,824,668.

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 (Schools Plan)
(Dollar Amounts in Millions) ⁽¹⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS) Schools Plan	\$ 58,358 ⁽²⁾	\$ 45,901 ⁽³⁾	\$12,457
State Teachers' Retirement Fund (STRS) Defined Benefit Program	208,405 ⁽²⁾	147,140 ⁽³⁾	61,265

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ June 30, 2011 Valuation Date.

⁽³⁾ Reflects market 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, employees and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. This unfunded liability is expected to continue to increase in the absence of legislation requiring additional or increased contributions. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future.

In June 2009, the PERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses that were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under the new methodology, investment losses will be amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period. In addition, in February 2010, the PERS Board adopted a resolution requiring additional contributions for any plan or pool if their cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis of the plan to either increase by at least 15% by June 30, 2043, or reach a level of 75% funded by June 30, 2043. PERS also recently revised the assumed rate of return it uses in estimating the actuarial value of assets from 7.75% to 7.50%.

The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

CalPERS' actuaries have estimated that recently adopted pension reform legislation may produce savings of between \$8.6 and \$10.8 million over the next 30 year for the schools plans; CalSTRS' actuaries estimate savings of about \$22.7 million over that period. The District cannot predict whether any of those projected savings will be realized by the District.

Supplemental Early Retirement Plans

The District has offered supplemental early retirement plans to its certificated and classified employees as part of the union contracts since 1984. The annuities offered to the employees are paid over a five-year period. The annuities, which were purchased for 153 employees who retired after 2003, were purchased from United Omaha and Principal Life Insurance. Future annuity payments (calculated as of June 30, 2012) are as follows:

<u>Year Ending June 30</u>	<u>Total Payments</u>
2013	\$1,624,451
2014	1,405,515
2015	1,405,515
2016	451,319
2017	<u>112,850</u>
Total	\$4,999,650

Alternative Retirement Program

The District also contributes to the Accumulation Program for Part-time and Limited Service Employees (APPLE), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. 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 the 2011-12 fiscal year, the District's required and actual contributions amounted to \$64,493, which was 3.75% of its current year covered payroll. Employees' required and actual contributions amounted to \$64,493, which was 3.75% of the covered payroll.

Other Post Employment Benefits ("OPEB")

Plan Description. The District provides post-employment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service. The benefits under the health care plan (referred to herein as the "OPEB Plan") continue until the retired employee reaches age 65. As of June 30, 2012, 105 retirees and beneficiaries currently receive benefits under the OPEB Plan.

Funding Policy and Actuarial Assumptions. The District's annual OPEB cost is calculated based on the annual required contribution ("ARC"), which amount is actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45 ("GASB Statement No. 45"). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (or funding excess) over a period not to exceed 30 years.

The District commissioned an actuarial study by [Total Compensation Systems, Inc.], dated May 1, 2010, with respect to its accrued liability in connection with such postemployment benefits. The study used the entry age normal actuarial cost method. This is a projected benefit cost method that takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included a 5% investment rate of return and health care inflation of 4%. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include

techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The District's OPEB UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2012, was 26 years.

The study concluded that the unfunded actuarial accrued liability with respect to the OPEB Plan as of May 1, 2010, was \$20,029,575, and the ARC for the year ending April 30, 2011, was \$ [REDACTED]. The ARC increases as covered payroll increases. The ARC as of June 30, 2012, was \$3,427,598. Currently, the District has not prefunded any of its OPEB obligation and is contributing on a pay-as-you-go basis. Thus, the District recognizes the cost of providing these benefits by budgeting for and expensing the annual insurance premiums, which amounted to \$2,322,547 for the year ended June 30, 2012.

The OPEB Plan annual required contributions and actual contributions over the most recent years available are set forth below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$2,550,306	\$1,488,391	58%	\$2,239,508
June 30, 2011	3,397,763	2,388,313	70	3,248,958
June 30, 2012	3,384,316	2,322,547	69	4,310,727

Source: Coachella Valley Unified School District.

Schedule of Funding Progress. The following table presents multi-year trend information about whether the actuarial accrued liabilities for the OPEB Plan are increasing or decreasing over time.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as Percentage of Covered Payroll ((b-a)/c)</u>
May 1, 2008	\$0	\$19,915,917	\$19,915,917	0%	\$105,367,190	19%
May 1, 2010 ⁽¹⁾	0	20,029,575	20,029,575	0	97,681,039	21%

(1) Latest data available.

Source: Coachella Valley Unified School District.

Insurance

The Riverside Schools Insurance Authority ("RSIA") is a joint powers agreement consisting of 17 school districts, one community college district, and one county office of education within Riverside County. The purpose of RSIA is to operate and maintain a self-insurance program for liability and property damage for its member agencies.

RSIA provides Comprehensive General Liability, Auto and the Real and Personal Property coverages. RSIA self-insures for all property claims up to a maximum of \$25,000 per occurrence and \$50,000 for liability claims with a member agency deductible of \$5,000 per occurrence for property and liability claims. For claims in excess of \$25,000 for property and \$50,000 for liability through membership receive coverage. SCR provides property coverage limits of \$250,000,000 per occurrence and Liability Limits to \$25,000,000 per occurrence.

The District purchases workers' compensation through Riverside Schools Risk Management Authority which meets the minimum statutory limits of \$1,000,000 required for the State of California, through the Protected Insurance Program for Schools and Community Colleges, a finite risk transfer program for workers' compensation.

The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

DISTRICT DEBT STRUCTURE

Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2012, is shown below:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$120,572,039	\$2,569,108	\$3,420,000	\$119,721,147	\$1,995,000
Premium on Issuance	5,715,568	--	274,385	5,441,183	--
Certificates of participation	50,320,000	--	15,055,000	35,265,000	1,260,000
Premium on Issuance	1,486,018	--	62,077	1,423,941	--
Discount on Issuance	(78,070)	--	(78,070)	--	--
Capital Leases	3,660,139	--	1,381,139	2,279,000	1,279,000
Accumulated vacation – net	1,641,445	29,338	--	1,670,783	--
Claim liabilities	453,522	2,963,693	3,037,524	379,691	379,691
Supplemental early retirement plan (SERP)	5,973,785	564,249	1,538,384	4,999,650	1,624,451
2012 Lease refunding	--	12,830,000	205,000	12,625,000	425,000
Other Post-Employment benefits	3,248,958	3,384,316	2,322,547	4,310,727	--
Totals	<u>\$192,993,404</u>	<u>\$22,340,704</u>	<u>\$27,217,986</u>	<u>\$188,116,122</u>	<u>\$6,963,142</u>

General Obligation Bonds

The District received authorization at an election held on March 4, 1997, to issue up to \$20,000,000 of general obligation bonds. On August 19, 1997, the District issued its General Obligation Bonds, 1997 Election, Series A, in the principal amount of \$10,000,000, which were refunded by the District's 2010 General Obligation Refunding Bonds issued May 26, 2010. On September 2, 1998, the District issued its General Obligation Bonds, 1997 Election, Series B, in the principal amount of \$9,999,277.95.

The District received authorization at an election held on June 7, 2005, to issue up to \$250,000,000 of general obligation bonds. On September 7, 2005, the District issued its General Obligation Bonds, 2005 Election, Series A, in the principal amount of \$49,998,180.00. On

February 22, 2007, the District issued its General Obligation Bonds, 2005 Election, Series B, in the principal amount of \$30,000,000. On May 26, 2010, the District issued its General Obligation Bonds, 2005 Election, Series C in the principal amount of \$24,990,463. On July 12, 2012, the District issued its General Obligation Bonds, 2012 Election, Series D in the principal amount of \$54,999,882.

The District received authorization at an election held on November 6, 2012, to issue up to \$41,000,000 of general obligation bonds (the "2012 Authorization"). The Series A-1 Bonds, in the principal amount of \$[PAR AMOUNT], and the Series A-2 Bonds, in the principal amount of \$[PAR AMOUNT], will be the first and second series of bonds issued under the 2012 Authorization.

Debt service on the District's outstanding general obligation bonds is payable from the proceeds of *ad valorem* taxes levied on property within the District. The following table is a combined debt service schedule for all the general obligation bonds of the District that will be outstanding after the Bonds are issued.

Year Ending	1997 Series B	2005 Series A	2005 Series B	2005 Series C	2010 Refunding Bonds	2005 Series D	The Bonds	Total
August 1								
2013	\$1,000,000.00	\$3,176,750.00	\$1,362,250.00	---	\$703,237.50	\$ 2,179,118.40		
2014	1,075,000.00	3,492,750.00	1,406,250.00	---	705,987.50	2,794,875.00		
2015	1,150,000.00	3,857,750.00	1,498,250.00	---	707,100.00	2,448,125.00		
2016	1,250,000.00	4,226,500.00	1,586,250.00	---	706,500.00	2,036,125.00		
2017	1,350,000.00	4,297,750.00	1,641,250.00	---	710,100.00	2,036,125.00		
2018	1,450,000.00	4,285,250.00	1,717,500.00	---	717,700.00	2,311,125.00		
2019	1,555,000.00	4,267,750.00	1,788,750.00	---	719,100.00	2,562,875.00		
2020	1,670,000.00	4,295,250.00	1,730,000.00	---	716,425.00	2,906,475.00		
2021	1,785,000.00	4,265,250.00	2,047,500.00	---	722,625.00	3,020,475.00		
2022	1,900,000.00	4,430,250.00	2,022,500.00	---	520,625.00	3,128,475.00		
2023	2,775,000.00	4,280,250.00	1,971,250.00	---	---	3,728,475.00		
2024	---	4,235,250.00	2,295,000.00	\$1,800,000.00	---	2,183,475.00		
2025	---	4,275,000.00	2,325,000.00	2,000,000.00	---	2,320,187.50		
2026	---	4,310,000.00	2,700,000.00	2,000,000.00	---	2,361,687.50		
2027	---	4,285,000.00	2,702,500.00	2,400,000.00	---	2,440,762.50		
2028	---	4,302,500.00	3,000,000.00	2,500,000.00	---	2,495,825.00		
2029	---	4,285,000.00	3,102,500.00	2,700,000.00	---	2,696,762.50		
2030	---	4,233,750.00	3,143,750.00	3,000,000.00	---	2,912,762.50		
2031	---	---	3,176,250.00	6,000,000.00	---	4,653,762.50		
2032	---	---	---	8,000,000.00	---	6,383,362.50		
2033	---	---	---	8,400,000.00	---	6,498,250.00		
2034	---	---	---	9,000,000.00	---	6,496,250.00		
2035	---	---	---	9,500,000.00	---	6,616,750.00		
2036	---	---	---	10,000,000.00	---	6,763,000.00		
2037	---	---	---	10,000,000.00	---	7,407,750.00		
2038	---	---	---	10,500,000.00	---	7,400,000.00		
2039	---	---	---	10,500,000.00	---	7,800,000.00		
2040	---	---	---	11,000,000.00	---	7,800,000.00		
2041	---	---	---	11,000,912.94	---	8,500,000.00		
2042	---	---	---	11,006,532.14	---	8,500,000.00		
2043	---	---	---	12,000,000.00	---	8,500,000.00		
Totals	\$16,960,000.00	\$74,802,000.00	\$41,216,750.00	\$143,307,445.08	\$6,929,400.00	\$139,882,855.90		

Certificates of Participation

The District currently has three issues of certificates of participation outstanding, summarized as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Outstanding June 30, 2012</u>
4/3/03	9/1/31	4.00% - 5.00%	\$15,500,000	\$10,875,000
11/6/03	9/1/17	2.50% - 4.125%	3,500,000	1,565,000
12/7/06	9/1/36	4.00% - 5.25%	<u>23,500,000</u>	<u>22,825,000</u>
			\$56,985,000	\$35,265,000

Payments from fiscal year 2012-13 forward with respect to the District's outstanding certificates of participation are as follows:

<u>Year Ending June 30</u>	<u>Certificates Issued 4/03</u>	<u>Certificates Issued 11/03</u>	<u>Certificates Issued 12/7</u>	<u>Total</u>
2013	\$1,308,673	\$ 368,430	\$ 1,288,450	\$2,965,553
2014	655,443	296,455	1,316,750	2,268,648
2015	678,213	124,755	1,128,050	1,931,018
2016	694,488	170,288	1,128,050	1,992,826
2017	709,513	213,635	1,167,150	2,090,298
2018 - 2022	3,543,650	612,375	7,794,025	11,950,050
2023 - 2027	4,505,604	--	8,718,750	13,224,354
2028 - 2032	5,594,625	--	10,117,625	15,712,250
2033 - 2037	--	--	<u>10,032,500</u>	<u>10,032,500</u>
Total	\$17,690,209	\$1,785,938	\$42,691,350	\$62,167,497

Lease Refinancing

On July 5, 2011, the District entered into a lease agreement with Banc of America Public Capital Corporation to advance funds of \$12,830,000 to refund the District's outstanding 2006 Certificates of Participation (2006 School Financing Project). The lease refinancing has a final maturity of March 1, 2026, with an interest rate of 5.00%. Payments from fiscal year 2012-13 forward with respect to the Lease Refinancing are as follows:

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2013	\$ 1,051,000
2014	1,049,500
2015	1,052,000
2016	1,053,125
2017	1,048,125
2018-2022	5,241,500
2023-2026	<u>8,485,250</u>
Total	\$18,980,500

Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

Balance, July 1, 2011	\$3,910,693
Payments	<u>1,536,693</u>
Balance, June 30, 2012	\$2,374,000

The capital leases have minimum lease payments (calculated as of June 30, 2012) as follows:

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2013	\$1,361,500
2014	<u>1,012,500</u>
Total:	\$2,374,000
Less Amount Representing Interest:	<u>95,000</u>
Present Value of Minimum Lease Payments:	\$2,279,000

DISTRICT FINANCIAL INFORMATION

District Budget

The District is required by the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting format for all California school districts. Under current law, the District Board of Trustees approves an adopted budget on or before July 1 of each fiscal year.

School district budgets are subject to review and approval by the County Superintendent of Schools. The County Superintendent examines the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identifies technical corrections necessary to bring the budget into compliance, determines if the budget allows the district to meet its current obligations and determines if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. The County Superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards.

Each school district is required to prepare two interim reports during the year certifying its financial and budgetary status. The certifications are classified as either positive, negative or qualified. A positive certification indicates that the district will meet its financial obligations for the current fiscal year and subsequent two fiscal years; and a qualified certification indicates that the district may not meet its financial obligations during that period. A negative certification indicates that the district will not be able to meet its financial obligations for the current fiscal year or the subsequent fiscal year. The County Superintendent reviews the certifications and may change a positive certification to qualified or negative.

The District has never had an adopted budget disapproved by the County Superintendent. The District's most recent interim report (the first interim financial report for fiscal year 2012-13) included a qualified certification. The District's second interim report for fiscal year 2009-10, the District's first and second interim reports for fiscal year 2010-11, and the District's second interim report for fiscal year 2011-12 also included qualified certifications. The District has never received a negative certification of an interim financial report. However, in 1992, the District experienced financial difficulties and received an emergency loan from the State in the amount of \$7.3 million. At that time, the State appointed an administrator to govern the District. In 1996, the State returned control to the District's governing board but appointed a fiscal trustee who supervised District financial matters until the District fully repaid the State emergency loan in December 2001.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (except that the District has not maintained a complete historical cost record of fixed assets). The District also complies with the policies and procedures contained in

the California School Accounting Manual, as required by Section 41010 of the California Education Code.

In accordance with the School Accounting Manual, District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (i.e., measurable and/or available to finance operations).

Tax revenues are recognized by the District when 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.

District accounting is organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising its assets, liabilities, fund balance (or retained earnings), revenues, and expenditures (or expenses). The major fund classification is the general fund, which accounts for all financial resources not identified as requiring special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The District's financial statements with supplemental information for the year ended June 30, 2012, and the related statements of activities and of cash flows for the year then ended, and the report dated June 30, 2012, of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as Appendix B. The financial statements should be read in their entirety. The information set forth herein does not purport to be a summary of the District's financial statements.

In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B, 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.

The following table summarizes revenue and expenditure information for the District for fiscal years 2008-09 through 2011-12 (Audited) and fiscal year 2012-13 (Adopted Budget).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balances
Fiscal Years 2008-09 through 2012-13

	Audited <u>2008-09</u>	Audited <u>2009-10</u>	Audited <u>2010-11</u>	Audited <u>2011-12</u>	Adopted Budget <u>2012-13</u>
REVENUES:					
Revenue Limit Sources	\$100,372,718	\$87,476,524	\$93,157,256	\$93,767,151	\$93,151,906
Federal Sources	28,252,920	22,218,823	28,682,170	24,698,638	22,338,005
Other State Sources	41,683,893	41,414,635	37,542,172	38,928,791	34,687,056
Other Local Sources	<u>9,618,850</u>	<u>10,185,259</u>	<u>10,486,196</u>	<u>9,493,935</u>	<u>8,195,769</u>
Total Revenues	179,928,381	161,295,241	169,867,794	166,888,515	158,372,736
EXPENDITURES:					
Instruction	106,979,803	101,813,135	101,716,554	105,306,256	--
Instruction-Related Activities:					
Supervision of instruction	3,548,901	3,608,027	3,406,378	3,279,466	--
Instructional library, media and technology	245,345	258,429	196,775	213,174	--
School site administration	20,520,610	16,953,391	17,643,149	15,379,719	--
Pupil Services:					
Home-to-school transportation	7,650,041	7,579,416	7,791,186	8,034,167	--
All other pupil services	6,740,714	6,501,714	6,251,656	5,980,495	--
General Administration:					
Data processing	1,571,164	1,948,406	1,781,803	2,056,286	--
All other general administration	6,747,736	6,724,328	7,541,333	7,363,035	--
Certificated Salaries	--	--	--	--	76,181,357
Classified Salaries	--	--	--	--	24,518,770
Employee Benefits	--	--	--	--	41,735,012
Books and Supplies	--	--	--	--	13,557,193
Services and Other Operating Expenses	--	--	--	--	19,166,842
Plant Services	16,340,069	16,450,492	14,661,304	14,853,415	--
Facility Acquisition and Construction	(21,872)	3,814,164	616,807	5,005	--
Ancillary Services	9,108	--	--	--	--
Capital Outlay	--	--	--	--	443,404
Other Outgo (excluding transfer of indirect costs)	632,133	657,161	401,288	366,915	508,000
Other Outgo (transfers of indirect costs)	--	--	--	--	(667,274)
Debt Service:					
Principal	391,667	166,023	99,173	102,139	--
Interest and Other	23,908	13,054	6,019	8,313	--
Total Expenditures	<u>171,379,327</u>	<u>166,487,740</u>	<u>162,113,425</u>	<u>162,948,385</u>	<u>175,443,304</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,549,054</u>	<u>(5,192,499)</u>	<u>7,754,369</u>	<u>3,940,130</u>	<u>(17,070,568)</u>
Other Financing Sources (Uses):					
Transfers out	(4,502,794)	(2,534,731)	(1,717,104)	(1,737,067)	(1,472,560)
Other sources	395,000	--	--	--	--
Net Financing Sources (Uses)	<u>(4,107,794)</u>	<u>(2,534,731)</u>	<u>(1,717,104)</u>	<u>(1,737,067)</u>	<u>(1,472,560)</u>
NET CHANGE IN FUND BALANCES	4,441,260	(7,727,230)	6,037,265	2,203,063	(18,543,128)
Fund Balance, Beginning	<u>24,634,655</u>	<u>29,075,915</u>	<u>21,348,685</u>	<u>27,385,950</u>	<u>29,589,013</u>
Fund Balance, Ending	<u>\$29,075,915</u>	<u>\$21,348,685</u>	<u>\$27,385,950</u>	<u>\$29,589,013</u>	<u>\$11,045,885</u>

Source: Coachella Valley Unified School District

Revenue Sources

The District categorizes its General Fund revenues into four sources: (1) revenue limit sources; (2) federal sources; (3) other State sources; and (4) other local sources. Each of these revenue sources is described below.

Revenue Limit Sources

Since fiscal year 1973-74, State school districts have operated under general purpose revenue limits established by the State Legislature. In general, the revenue limits are calculated for each school district by multiplying (1) the average daily attendance ("ADA") for each district by (2) a base revenue limit per unit of ADA. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increase and to equalize revenues among all State school districts of the same type.

The following table shows the District's revenue limit per unit of average daily attendance and revenue limit total over the periods 2000-01 through 2011-12 and the estimated 2012-13.

REVENUE LIMITS⁽¹⁾
FISCAL YEARS 2000-01 THROUGH 2012-13
Coachella Valley Unified School District

<u>Fiscal Year</u>	<u>Revenue Limit per Unit of Average Daily Attendance</u>	<u>Average Daily Attendance</u>	<u>Total Revenue Limit</u> ⁽²⁾
2000-01	\$4,475.52	11,961	\$53,531,695
2001-02	4,649.52	12,711	59,100,049
2002-03	4,742.52	13,407	63,582,965
2003-04	4,685.51	14,032	65,747,076
2004-05	4,857.42	14,811	71,943,248
2005-06	5,128.64	15,622	80,119,614
2006-07	5,538.67	16,718	92,595,485
2007-08	5,790.67	17,436	100,966,122
2008-09	5,639.64	17,584	99,167,430
2009-10	4,974.50	17,585	87,476,524
2010-11	5,266.39	17,689	93,157,256
2011-12	5,244.19	17,688	92,759,216
2012-13 ⁽³⁾	5,300.43	17,503	92,773,464

(1) The revenue limit total pertains to general education purposes and excludes categorical aid programs, certain capital outlays, and other special purposes.

(2) State deficit has been applied and is funded based on the higher of current year or prior year ADA.

(3) Estimated.

Source: Coachella Valley Unified School District

The District's revenue limit is funded by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments amount to the difference between the District's revenue limit and its local property tax revenues.

In fiscal year 2011-12, the District received \$93,767,151 of income from revenue limit sources, accounting for approximately 56% of its budgeted General Fund revenues. For fiscal year 2012-13, the District has projected \$93,151,906 of income from revenue limit sources, accounting for approximately 59% of its budgeted General Fund revenues.

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

Property taxes collected by Riverside County and Imperial County to pay the principal of and interest on Bonds do not constitute local property taxes for purposes of being applied toward the District's revenue limit.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The amount of federal revenues, most of which are restricted, received by the District in fiscal year 2011-12 was \$24,698,638, accounting for approximately 15% of General Fund revenues. For fiscal year 2012-13, the District has projected \$22,338,005 of federal revenues, accounting for approximately 14% of its budgeted General Fund revenues.

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. The District also receives State revenue from the California State Lottery. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes.

In fiscal year 2011-12, the District received \$38,928,791 of income from State Sources, accounting for approximately 23% of its General Fund revenues. For fiscal year 2012-13, the District has budgeted \$34,687,056 of income from State Sources, accounting for approximately 22% of its budgeted General Fund revenues.

In fiscal year 2011-12, the District received \$1,385,762 as State Lottery allocation, accounting for less than 1% of its General Fund revenues. For fiscal year 2012-13, the District has projected \$2,357,779 as its State Lottery allocation, accounting for approximately 1.5% of its budgeted General Fund revenues.

Other Local Revenues

In addition to property taxes, the District receives additional local revenues. In fiscal year 2011-12, the District received \$9,493,935 of income from local revenues, accounting for

approximately 6% of its General Fund revenues. For fiscal year 2012-13, the District has projected \$8,195,769 of income from local revenues, accounting for approximately 5% of its budgeted General Fund revenues.

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 currently assessed a fee of \$3.20 per square foot. As of June 30, 2012, there was a \$3,122,017 balance in this fund. The following table lists the annual developer fees generated since fiscal year 2001-02.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
District Developer Fees
Fiscal Years 2001-02 through 2011-12**

<u>Fiscal Year</u>	<u>Developer Fees Collected</u>
2001-02	\$ 956,804
2002-03	1,132,931
2003-04	1,566,407
2004-05	1,762,821
2005-06	2,812,702
2006-07	1,934,593
2007-08	3,352,576
2008-09	1,285,349
2009-10	714,128
2010-11	912,535
2011-12	
2012-13 ⁽¹⁾	

(1) Estimated as of _____, 201_____.

Source: Coachella Valley Unified School District.

PROPERTY TAXATION

General

The Bonds are general obligation bonds of the District. The Boards of Supervisors of Riverside County and Imperial County have the power and are obligated to levy ad valorem taxes without limitation of rate or amount (except with respect to certain personal property that is taxable at limited rates) upon all property within the District subject to taxation for payment of debt service on the Bonds.

Property Tax Collection Procedures

Taxes are levied for each fiscal year on taxable real and personal property on the tax rolls as of the preceding January 1. Real property that changes ownership or is newly constructed is revalued

at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a pro-ration factor that reflects the portion of the remaining tax year for which taxes are due. The annual tax rate is limited to 1% of the full cash value, plus the amount necessary to pay all obligations legally payable from *ad valorem* taxes in the current year, including the Bonds. The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property within the District in that year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the debt service on the Bonds.

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 property and real property secured by a lien that is sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other taxable property is assessed on the "unsecured roll," which generally comprises all property not attached to land, such as personal property or business equipment not otherwise exempt from taxation.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent attaches immediately to all delinquent payments. If taxes are not paid by June 30 of the fiscal year, the properties on the secured roll with respect to which taxes are delinquent become tax defaulted. 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 may be sold at public auction by the county treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A ten percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches on the first day of each month until paid.

A county has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment 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 recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

Unitary Taxation of Utility Property

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

Teeter Plan

Riverside County and Imperial County have adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Sections 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency within a county that levies property taxes, including school districts, is credited the amount of uncollected taxes in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that otherwise would have been due the local agency.

The Teeter Plan is to remain in effect unless the board of supervisors of the county orders its discontinuance or unless, prior to the commencement of the county's fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. Neither Riverside County nor Imperial County has ever received a petition from any governing board to discontinue the Teeter Plan. The board of supervisors may, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the county if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

Largest Taxpayers

The following table lists the top twenty secured property taxpayers within the District for 2012-13.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
Largest 2012-13 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2012-13 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	TD Desert Development	Commercial	\$ 96,946,667	1.33%
2.	East of Madison	Country Club/Residential	49,348,737	0.68
3.	Cocopah Nurseries Inc.	Agricultural	47,764,994	0.65
4.	Red Globes Properties	Agricultural	46,261,565	0.63
5.	Anthony Vineyards Inc.	Industrial	45,641,897	0.63
6.	MSR Resort Golf Course	Gold and Spa Resort	44,321,508	0.61
7.	Coral Option I	Residential Development	43,593,075	0.60
8.	Griffin Ranch	Residential Development	35,412,490	0.49
9.	Michael Bozick	Agricultural	32,200,143	0.44
10.	Soco	Commercial	30,000,602	0.41
11.	Sunrise Desert Partners	Agricultural	26,903,502	0.37
12.	Armtec Defense Products Co.	Industrial	25,805,431	0.35
13.	Mission South	Agricultural	22,743,385	0.31
14.	ND La Quinta Partners	Country Club/Residential	21,137,963	0.29
15.	La Quinta MB Welling Ltd.	Apartments	19,890,000	0.27
16.	Sun World International	Agricultural	19,873,818	0.27
17.	Smoketree Apartments 288	Agricultural	18,610,848	0.25
18.	Nadador	Resort/Timeshare	18,584,114	0.25
19.	Nicholas L. Bozick	Agricultural	18,118,496	0.25
20.	Madison 28 29	Residential	<u>13,936,600</u>	<u>0.19</u>
			<u>\$677,095,835</u>	<u>9.28%</u>

(1) 2012-13 Local Secured Assessed Valuation: \$7,299,287,092

Source: California Municipal Statistics, Inc.

Historic Assessed Valuation

The District has a 2012-13 total assessed valuation of \$7,453,876,822. Shown in the following table are the assessed valuation historical trends for the District.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuations Fiscal Years 2008-09 through 2012-13**

Riverside County Portion

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
2008-09	\$8,722,267,788	\$1,817,625	\$173,369,621	\$8,897,455,034
2009-10	8,154,431,131	1,891,781	170,127,854	8,326,450,766
2010-11	7,432,820,977	1,891,781	167,051,927	7,601,764,685
2011-12	7,058,836,878	1,891,781	151,934,858	7,212,663,517
2012-13	7,053,068,507	1,417,431	147,987,360	7,202,473,298

Imperial County Portion

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
2008-09	\$429,576,828	\$0	\$6,704,421	\$436,281,249
2009-10	290,287,241	0	9,057,441	299,344,682
2010-11	273,690,571	0	7,988,075	281,678,646
2011-12	248,910,974	0	4,877,456	253,788,430
2012-13	246,218,585	0	5,184,939	251,403,524

Total District

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
2008-09	\$9,151,844,616	\$1,817,625	\$180,074,042	\$9,333,736,283
2009-10	8,444,718,372	1,891,781	179,185,295	8,625,795,448
2010-11	7,706,511,548	1,891,781	175,040,002	7,883,443,331
2011-12	7,307,747,852	1,891,781	156,812,314	7,466,451,947
2012-13	7,299,287,092	1,417,431	153,172,299	7,453,876,822

Source: California Municipal Statistics, Inc.

Secured Tax Charges for Debt Service and Delinquencies

The following table lists the secured tax charges for debt service on the District's general obligation bonds and delinquencies for the District for Fiscal Years 2007-08 through 2011-12:

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies (Riverside County Portion Only)**

<u>Year</u>	<u>Secured Tax Charge ⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2007-08	\$4,666,086.85	\$435,380.25	9.33%
2008-09	5,110,379.23	524,081.62	10.25
2009-10	5,787,842.92	477,684.26	8.25
2010-11	6,854,503.08	387,467.90	5.65
2011-12	5,220,696.01	214,060.50	4.10

(1) Debt service levy only

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use

The following table shows the assessed valuation of property in the District by land use category.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use**

	<u>2012-13 Assessed Valuation (1)</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Agricultural/Rural	\$ 535,791,524	7.34%	2,169	4.84%
Commercial/Recreational	496,256,941	6.80	750	1.67
Vacant Commercial	115,409,576	1.58	949	2.12
Industrial	152,861,166	2.09	207	0.46
Institutional/Social/Religious	4,048,769	0.06	116	0.26
Other Vacant/Desert Parcels	<u>226,505,745</u>	<u>3.10</u>	<u>13,640</u>	<u>30.41</u>
Subtotal Non-Residential	\$1,530,873,721	20.97%	17,831	39.75%
Residential:				
Single Family Residence	\$4,194,776,161	57.47%	13,458	30.00%
Condominium/Townhouse	432,452,309	5.92	1,353	3.02
Mobile Home	54,369,089	0.74	144	0.32
Mobile Home Park	5,550,903	0.08	74	0.16
2+ Residential Units	330,537,939	4.53	253	0.56
Vacant Residential	<u>750,726,970</u>	<u>10.28</u>	<u>11,743</u>	<u>26.18</u>
Subtotal Residential	\$5,768,413,371	79.03%	27,025	60.25%
Total	\$7,299,287,092	100.005	44,856	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation by Jurisdiction

The following table shows the assessed valuation of property in the District by jurisdiction.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
2012-13 Assessed Valuation by Jurisdiction⁽¹⁾**

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Coachella	\$1,218,149,182	16.34%	\$1,324,076,045	92.00%
City of Indio	654,008,191	8.77	\$5,911,079,402	11.06%
City of La Quinta	3,948,210,697	52.97	\$10,329,195,534	38.22%
Unincorporated Riverside County	1,382,105,228	18.54	\$30,935,523,827	4.47%
Unincorporated Imperial County	251,403,524	3.37	\$4,405,588,878	5.71%
Total Riverside County	\$7,202,473,298	96.63%	\$201,661,935,424	3.57%
Total Imperial County	<u>251,403,524</u>	<u>3.37</u>	\$10,199,917,289	2.46%
Total District	\$7,453,876,822	100.00%		

(1) Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes

The following table shows the per parcel 2012-13 assessed valuation of single family homes.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
Per Parcel 2012-13 Assessed Valuation of Single Family Homes**

Single Family Residential	No. of Parcels	2012-13 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	13,458	\$4,194,776,161	\$311,694	\$139,756

2012-13 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	969	7.200%	7.200%	\$ 32,203,231	0.768%	0.768%
\$50,000 - \$99,999	2,660	19.765	26.965	206,261,113	4.917	5.685
\$100,000 - \$149,999	3,665	27.233	54.198	451,916,140	10.773	16.458
\$150,000 - \$199,999	1,088	8.084	62.283	180,258,530	4.297	20.755
\$200,000 - \$249,999	437	3.247	65.530	98,869,206	2.357	23.112
\$250,000 - \$299,999	399	2.965	68.495	108,754,927	2.593	25.705
\$300,000 - \$349,999	407	3.024	71.519	132,322,463	3.154	28.859
\$350,000 - \$399,999	360	2.675	74.194	134,421,043	3.204	32.064
\$400,000 - \$449,999	525	3.901	78.095	223,728,178	5.333	37.397
\$450,000 - \$499,999	392	2.913	81.008	184,840,315	4.406	41.804
\$500,000 - \$549,999	269	1.999	83.006	141,236,688	3.367	45.171
\$550,000 - \$599,999	353	2.623	85.629	203,844,151	4.859	50.030
\$600,000 - \$649,999	328	2.437	88.067	203,810,657	4.859	54.889
\$650,000 - \$699,999	165	1.226	89.293	111,313,983	2.654	57.543
\$700,000 - \$749,999	153	1.137	90.429	110,505,488	2.634	60.177
\$750,000 - \$799,999	162	1.204	91.633	125,146,407	2.983	63.160
\$800,000 - \$849,999	112	0.832	92.465	92,777,397	2.212	65.372
\$850,000 - \$899,999	122	0.907	93.372	106,799,502	2.546	67.918
\$900,000 - \$949,999	108	0.802	94.174	100,102,155	2.386	70.304
\$950,000 - \$999,999	109	0.810	94.984	106,263,359	2.533	72.838
\$1,000,000 and greater	<u>675</u>	<u>5.016</u>	100.000	<u>1,139,401,228</u>	<u>27.162</u>	100.000
Total	13,458	100.000%		\$4,194,776,161	100.000%	

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

Tax Rates

Pursuant to Article XIII A of the State Constitution, effective for the 1978-79 fiscal year and each year thereafter, the total property tax rate is limited to 1% of the full cash value plus the amount necessary to fund debt service on voter-approved debt.

Contained within the District's boundaries are numerous overlapping local agencies. The following exhibit presents the total tax rate for typical property owners in the incorporated areas within the District.

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area within the District during the five-year fiscal year period from 2008-09 to 2012-13.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
Summary of Ad Valorem Tax Rates
Fiscal Years 2008-09 through 2012-13
Typical Total Tax Rates Per \$100 of Assessed Valuation
(TRA 12-001) (Riverside County Portion)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General	1.00000	1.00000	1.00000	1.00000	1.00000
Desert Community College District	.01995	.01995	.01995	.01995	.01995
Coachella Valley Unified School District	.05949	.07247	.09332	.07487	.07968
Coachella Valley Water District	<u>.04000</u>	<u>.06000</u>	<u>.08000</u>	<u>.08000</u>	<u>.08000</u>
Total	1.11944	1.15242	1.19327	1.17482	1.17963

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated May 1, 2012. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The 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. Column 2 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 column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT**

2012-13 Assessed Valuation: \$7,453,876,822

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/13</u>
Desert Community College District	12.108%	\$ 38,570,993
Coachella Valley Unified School District	100.	163,407,102 (1)
Pioneers Memorial Healthcare District	7.423	1,162,071
Desert Recreation and Park District Reassessment District No. 01-1	8.078	137,326
Coachella Valley Water District, Assessment District Nos. 32 and 33	100.	951,528
City of Indio Assessment District No. 2001-1	29.358	<u>892,483</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$205,121,503

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	3.572%	\$23,229,073
Riverside County Pension Obligations	3.572	12,771,329
Riverside County Board of Education Certificates of Participation	3.572	139,308
Imperial County Certificates of Participation	2.465	271,890
Imperial County Pension Obligations	2.465	1,261,094
Imperial County Office of Education Certificates of Participation	2.465	12,818
Coachella Valley Unified School District Certificates of Participation	100.	46,630,000
City of Indio Certificates of Participation	11.064	4,443,856
City of La Quinta General Fund Obligations	38.224	1,309,172
Desert Recreation and Park District Certificates of Participation	18.297	<u>405,279</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$90,473,819
Less: Riverside County supported obligations		<u>416,414</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$90,057,405

<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Coachella Redevelopment Agency	64.201-100. %	\$ 43,222,052
La Quinta Redevelopment Agency	15.343-23.927	44,931,853
Riverside County Redevelopment Agency	17.285-78.901	<u>145,513,023</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$233,666,928

GROSS COMBINED TOTAL DEBT	\$529,262,250 (2)
NET COMBINED TOTAL DEBT	\$528,845,836

(1) Excludes issue to be sold.

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

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$163,407,102)	2.19%
Total Direct and Overlapping Tax and Assessment Debt.....	2.75%
Combined Direct Debt (\$210,037,102).....	2.82%
Gross Combined Total Debt.....	7.10%
Net Combined Total Debt	7.09%

Source: California Municipal Statistics, Inc.

STATE FUNDING OF EDUCATION

As noted above, California school districts receive a significant portion of their general purpose funding from State appropriations. Variations in the level of State funding of school districts may affect this secondary source of security for payment of the Bonds.

Propositions 98 and 111 – Minimum Funding Guarantee

Proposition 98, a constitutional and statutory amendment adopted by California voters in 1988 and amended by Proposition 111 in 1990, guarantees a minimum level of funding for public education from kindergarten through community college (K-14).

Proposition 98 guarantees a level of funding based on the greater of two amounts determined under three different methods of calculation. The first amount is based on a percentage of General Fund revenues. This amount is defined under "Test 1" as the amount produced by applying the same percentage of General Fund revenues appropriated to K-14 education in 1986-87, or about 40%. (This percentage has been adjusted to approximately 39% to account for subsequent redirection of local property taxes, since such property tax shifts affect the share of districts' revenue limits that are to be provided by State General Fund revenues.) The second amount is determined under one of two methods, "Test 2" or "Test 3," the choice of which is determined based on the relative growth of per capita income and General Fund revenues.

In years of high or normal growth of General Fund revenues, Test 2 applies. Test 2 is designed to maintain prior-year service levels. The amount determined under Test 2 is the amount required to ensure that K-14 schools receive from State funds and local tax revenues the same amount received in the prior year, adjusted for changes in enrollment and for increases in per capita personal income. Test 3 is operative in years in which General Fund revenue growth per capita is more than 0.5% below growth in per capita personal income. The amount determined under Test 3 is the prior-year total level of funding from state and local sources, adjusted for enrollment growth and for growth in General Fund revenues per capita, plus 0.5% of the prior year level. If Test 3 is used in any year, the difference between the amount determined under Test 3 and Test 2 will become a credit (called the "maintenance factor") to be paid to K-14 schools in future years when State General Fund growth exceeds personal income growth.

The State's estimate of the total guaranteed amount varies through the stages of the annual budgeting process, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as various factors change. The guaranteed amount will increase as enrollment and per capita personal income grow. If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State General Fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. In 1992-93, 1993-94, 2004-05, and 2005-06 the State required counties, cities, and special districts to shift property tax revenues to school districts, thereby relieving the State General Fund of some of the burden of the Proposition 98 guarantee. Proposition 1A, adopted by the voters in November 2004, prohibits the State from shifting property taxes from other local governments to school or community college districts without a two-thirds vote of both houses of the State Legislature. Proposition 22, approved by the voters in November 2010, eliminated the State's authority to shift property taxes temporarily during a severe financial hardship of the State that had been permitted by Proposition 1A. Legislation enacted in June 2011 (and upheld by the California Supreme Court in December 2011) dissolved every redevelopment agency in the State effective February 1, 2012, which may make more property tax revenues available to school districts.

The State has also sought to avoid or delay paying settle-up amounts when State revenues have lagged. The State has also sought to avoid increases in the base guaranteed amount through several devices: by treating any excess appropriations as advances (or loans) against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily or permanently deferring year-end apportionments of Proposition 98 funds from one fiscal year to the next to reduce the ending Fiscal Year's base; by suspending Proposition 98, as the State did in 2010-11; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The California Teachers' Association, the State Superintendent and others sued the State or the Governor in 1995, 2005, 2009, and 2011 to force them to fund the full settle-up amounts. In November 2011, the Legislative Analyst estimated settle-up obligations to total about \$2 billion. While legislation adopted to implement the settlements of these suits requires the State to pay down the obligation in annual installments, the repayments have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

State Budget Process

The State Constitution requires the Governor to propose a budget to the State Legislature no later than January 10 of each year and requires the Legislature to adopt a final budget no later than June 15. The latter deadline was frequently missed when passage of the budget required a 2/3 majority of each house of the Legislature. In 2011, the first year operating under the new simple majority approval rule, the Legislature approved the budget on June 15, but the Governor vetoed it, and the Legislature then adopted a revised budget on June 28, which the Governor signed on June 30. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. School district budgets must be adopted by the district's governing board by July 1 and then revised within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

Possible Delays in Apportionments. If the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding may be treated differently. In 2002, a California Court of Appeal held in White v. Davis (also referred to as Jarvis v. Connell) that the State Controller cannot disburse State funds after the beginning of the

fiscal year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State constitution, such as appropriations for salaries of elected State officers, or (iii) required by federal law, such as payments to State workers (but at no more than minimum wage). The court specifically held that pre-budget disbursements of Proposition 98 funding for school districts are invalid. In 2003, the California Supreme Court upheld the decision of the Court of Appeal. During the 2003-04 State budget impasse, the State Controller nonetheless treated revenue limit apportionments to school districts as continuous legislative appropriations under statute. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 Budget Act was enacted.

Additional Delays in Apportionments. For fiscal years 2010-11 and 2011-12, the Legislature authorized intra-year and inter-year deferrals of certain payments otherwise payable at earlier dates in the fiscal year to K-12 schools. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to increase the size or frequency of its cash flow borrowings in future years.

Fiscal Year 2012-13 Budget

On June 27, 2012, the Governor signed the budget bill as well as the trailer bills approved by the Legislature on June 15, 2012. The State budget bill includes Proposition 98 funding of \$36.8 billion from the State general fund, which assumes that the Governor's initiative measure, Proposition 30, proposing temporary tax increases is approved by the voters in the November 2012 election. The tax initiative, which was approved by the voters on November 6, 2012, temporarily increases personal income tax rates on the State's wealthiest taxpayers and temporarily increases the State sales and use tax by 0.5%. These tax increases are projected to generate an additional \$2.2 billion in fiscal year 2011-12 and \$4.7 billion in fiscal year 2012-13.

Senate Bill 1016 contained the education-related provisions of the budget, some of which are described below:

- Assumes Proposition 98 was over-appropriated in Fiscal Year 2011-2012 by \$893 million, of which \$672 million is to be counted toward meeting the State's obligation for the Quality Education and Improvement Act.
- Adjusts (or "rebenches") the Proposition 98 minimum funding guarantee in three significant ways: (1) permanently rebenching the guarantee to account for an assumed \$1 billion shift in local property taxes from redevelopment agencies to school districts and community college districts, (2) decreasing the minimum funding guarantee by \$544 million by eliminating existing provisions that require the State to rebench for the "gas tax swap" (the elimination of the sales tax on gasoline and its replacement by an excise tax), and (3) recalculating last year's rebenchings using a "consistent current cost" methodology" (applied to child care, student mental health, and redevelopment revenues).

- Includes \$2.1 billion to reduce inter-year budgetary deferrals from \$9.5 billion to \$7.4 billion.
- Provides no cost-of-living adjustment, which increases the deficit factor to 22.272% for school districts and 22.549% for county offices of education.
- Establishes a mandate block grant for K-12 districts who wish to opt in.

LAO Fiscal Outlook Report

On November 14, 2012, the California Legislative Analyst's Office (LAO) released its report titled "The 2013-14 Budget: California's Fiscal Outlook." The LAO noted that the state's economic recovery, prior budget cuts, and the additional, temporary taxes provided by Proposition 30 have combined to reduce the budget problem for 2013-14 compared to recent years. The 2012-13 budget assumed a year-end reserve of \$948 million. The LAO's forecast projects the General Fund's ending 2012-13 with a \$943 million deficit, due to the net impact of (1) \$625 million of lower revenues in 2011-12 and 2012-13 combined, (2) \$2.7 billion in higher expenditures (including \$1.8 billion in lower-than-budgeted savings related to the dissolution of redevelopment agencies), and (3) an assumed \$1.4 billion positive adjustment in the 2010-11 ending budgetary fund balance. The LAO also expects that the state faces a \$936 million operating deficit under current policies in 2013-14. If these estimates prove correct, the Legislature and the Governor would need to address a \$1.9 billion budget problem in order to pass a balanced budget by June 2013 for the next fiscal year.

Based on current law and its economic forecast, beyond 2013-14, the LAO projects expenditures to grow less rapidly than revenues, thus resulting in growing operating surpluses through 2017-18, the end of its forecast period. The LAO's projections show a possible operating surplus of over \$1 billion in 2014-15, growing thereafter to an over \$9 billion surplus in 2017-18.

Proposed Fiscal Year 2013-14 Budget

Proposed 2013-14 State Budget. On January 10, 2013, the Governor released his proposed State budget for fiscal year 2012-13 (the "Proposed Budget"). The Governor's spending plan proposes \$138.6 billion in General Fund and special fund expenditures. The administration estimates that the State will have a \$2.4 billion operating surplus at the end of Fiscal Year 2012-13, which will eliminate the \$2.2 billion deficit that remained after 2011-12 and leave the General Fund with a small reserve at the beginning of 2013-14.

The Governor projects a balanced budget for fiscal year 2013-14 and proposes a multiyear plan that he projects would be balanced, would maintain a \$1 billion reserve, and would pay down budgetary debt from past years. The administration acknowledges that its projections are subject to the risks of reductions in expected federal funding, less-than-projected economic growth, rising health care costs, and legal challenges to certain proposed spending reductions.

The administration projects that Proposition 30 together with Proposition 39 (also approved at the November 2012 election), which changed the method by which multistate businesses determine their state taxable income, will generate \$7.2 billion of additional general fund revenue in fiscal year 2013-14, or 7.3% of total State general fund revenue, which is projected to be \$98.5

billion. Of such total State general fund revenue, the administration expects that \$61.7 billion (or 62.7%) will be derived from personal income taxes, \$23.3 billion (or 23.6%) from sales and use taxes, and \$9.1 billion (or 9.3%) from corporation taxes.

The Proposed Budget contains major new Proposition 98 proposals for schools and community colleges. Most notably, it would replace much of the current system of K-12 finance with a new funding formula. The new formula allows more local control, because it has virtually no state requirements for programmatic spending. The proposed spending plan also includes substantial funding to pay down existing K-14 payment deferrals, reducing the need for school districts to borrow to meet their cash needs.

For 2013-14, the Governor proposes to fund at the administration's estimate of the minimum guarantee—\$56.2 billion. The \$2.7 billion year-to-year increase in the guarantee is driven by the state's healthy year-to-year increase in General Fund revenues. This would produce Proposition 98 per-pupil expenditures of \$8,304 in fiscal year 2013-14, compared to \$7,967 in 2012-13. Total per-pupil expenditures from all sources are projected to be \$11,455 in fiscal year 2012-13 and \$11,742 in 2013-14, including funds provided for prior year "settle-up" obligations.

Part of the increase in the administration's estimate of the Proposition 98 guarantee is due specifically to growth in Proposition 39 revenues. The LAO notes that the Governor would apply all revenue raised by Proposition 39—including the revenue required to be spent on energy-related projects—toward the Proposition 98 calculation. The LAO, in its "Overview of the Governor's Budget," released on January 14, 2013, states that this is a serious departure from its longstanding view of how revenues are to be treated for the purposes of Proposition 98 and also directly contrary to what the voters were told in the official voter guide as to how the revenues would be treated.

The new funding formula proposed by the Governor would consolidate K-12 revenue limits and almost all of the state's roughly 60 categorical programs into one streamlined funding formula with essentially no associated programmatic spending requirements. The formula would provide a base funding grant per unit of ADA. The formula also would provide supplemental funding intended for districts to serve English learners and students from low-income families as well as provide lower class sizes in grades kindergarten through third and offer career technical education classes in high school. Every school district would be entitled to a Base Grant adjusted for grade span cost differentials, multiplied by ADA. The administration expects that, when the new formula is fully implemented, the average base grant would be equal to the current average undeficit school district revenue limit. School districts would be entitled to supplemental funding increases up to 35% of the base funding grant. The Proposed Budget allocates \$1.6 billion to begin increasing district rates to a target base rate, with the supplemental grants adjusted in tandem with base increases. Based on the administration's estimates, the formula would be fully implemented by 2019-20.

In the Proposed Budget, the Governor also recommends (i) eliminating the required local district minimum contribution for routine maintenance, (ii) eliminating the required local district set-aside for deferred maintenance contributions, and (iii) allowing districts to use proceeds from the sale of any surplus real or personal property for any one-time general fund purposes.

The Proposed Budget also includes, among others, these significant budget adjustments

relating to K-12 funding:

- *K-12 Deferrals.* An increase of approximately \$1.8 billion in Proposition 98 funding from the general fund to reduce inter-year budgetary deferrals. Combined with the \$2.2 billion provided in fiscal year 2012-13 to retire inter-year deferrals, the administration projects total outstanding deferral debt for K-12 to be reduced to \$5.6 billion at the end of fiscal year 2013-14 and all remaining K-12 deferrals to be paid off by the end of fiscal year 2016-17.
- *Local Property Tax Adjustments.* An increase of \$526.6 million and \$608.6 million in Proposition 98 funding from the general fund for school district and county office of education revenue limits in fiscal years 2012-13 and 2013-14, respectively, as a result of lower or reduced offsetting property tax revenues.
- *Energy Efficiency Investments.* The application of \$400.5 million from Proposition 39 revenues to fund energy efficiency projects in schools. (The LAO notes that the Governor's proposal may be inconsistent with the requirements of Proposition 39.)
- *ADA.* An increase of \$304.4 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of an increase in projected ADA from the 2012-13 State budget. An increase of \$2.8 million in fiscal year 2013-14 for school districts and county offices of education as a result of projected growth in ADA in fiscal year 2013-14.
- *Proposition 98 Guarantee.* The revised Proposition 98 guarantee for fiscal year 2012-13 will be \$162.8 million below the level of general fund money appropriated for Proposition 98 in fiscal year 2012-13, which excess appropriated amount would be used to retire future funding obligations under the terms of the Quality Education Investment Act.
- *K-12 Mandates Funding.* An increase of \$100 million to the K-12 portion of the mandates block grant to support costs associated with mandates relating to graduation requirements and behavioral intervention plans.
- *Cost-of-Living Adjustment Increases.* The expenditure of \$62.8 million to fund a 1.65% cost-of-living adjustment for a select group of categorical programs that will remain outside of the new student funding formula, including special education and child nutrition.
- *Charter Schools.* An increase of \$48.5 million of Proposition 98 funding from the general fund to support projected charter school ADA growth.

Additional Information on State Finances

The full text of proposed and adopted State budgets may be found at the internet website of the California Department of Finance, www.dof.ca.gov, under the heading "California Budget." The Legislative Analyst's Office budget overviews and other analyses may be found at www.lao.ca.gov under the heading "Products." In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer,

www.treasurer.ca.gov or through the Municipal Securities Rulemaking Board's EMMA website at emma.msrb.org.

Periodic reports on revenues and/or expenditures during the Fiscal Year are issued by the Governor's Office, the State Controller's Office and the LAO. The Department of Finance issues a monthly Bulletin, which reports the most recent revenue receipts as reported by state departments, comparing them to Budget projections. The Governor's Office also formally updates its budget projections three times during each Fiscal Year, in January, May and at budget enactment. These bulletins and other reports are available on the Internet.

The information referred to above is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Future State Budgets

The District cannot predict what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures or 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 could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted.

Legal Challenge to State's Funding Method

From time to time, litigation is filed challenging the constitutionality of various aspects of the system of financing for public schools in California. In Maya Robles-Wong, et al. v. State of California, filed May 20, 2010, a plaintiff class of California public school students, several school districts, and the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association seeks a permanent injunction compelling the State to abandon the existing system of public school finance in favor of one that would provide equal educational opportunity to all school-aged children in the State.

On January 14, 2011, the Superior Court dismissed major portions of the case, allowing the plaintiffs to proceed only on the question of whether State's public education funding scheme provides equal opportunities to students throughout the State but rejecting that part that claimed that the State constitution mandates an overall qualitative standard for public education. On July 26, 2011, the Superior Court rejected the plaintiffs' amended complaint as not stating an equal protection claim. On January 25, 2012, the plaintiffs filed a notice of appeal of the trial court's decision.

The District is not a party to the case. The District cannot predict the outcome of the *Robles-Wong* litigation. However, if successful, the lawsuit could result in a change in how education funding is implemented in the State.

Litigation Regarding Proposition 98 Guarantee Amount

On September 28, 2011, the California School Boards Association, the Association of California School Administrators and several school districts filed a lawsuit challenging the State's redefinition of State sales and use tax revenues diverted to counties and cities as "not General Fund revenues" and their consequent exclusion from the calculation of the Proposition 98 minimum funding guarantee in the 2011-12 State budget. The plaintiffs allege that the minimum funding requirement set forth in the 2011-12 State budget is at least \$2.1 billion less than the amount required by Proposition 98. The passage of Proposition 30 may make the litigation moot if, as provided in the State Budget, the modified calculation is terminated. In the alternative, the State may adopt a five year repayment plan. The plaintiffs allege that neither option satisfies the minimum guarantee under Proposition 98 and have requested a judicial declaration directing the State to recalculate the minimum guarantee.

On May 31, 2012, the Superior Court denied the plaintiffs' petition for a writ of mandate. On July 27, 2012, the plaintiffs filed a notice of appeal of the trial court's decision. The District cannot predict whether or to what extent the plaintiffs' lawsuit will succeed or, if successful, how any final court decision with respect to the lawsuit would affect the financial status of the District.

LIMITATIONS ON LOCAL TAX REVENUES

Debt service on the Bonds will be funded from the proceeds of an ad valorem tax levied by Riverside County and Imperial County for their payment. (See "The Bonds – Security.") Articles XIII A and XIII B, XIII C and XIII D of the Constitution, Propositions 98, 111, and 218, and certain other provisions of law discussed below, 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. It should not be inferred from the inclusion of this information that these laws impose any limitation on the ability of Riverside County and Imperial County to levy taxes for payment of debt service on the Bonds. The tax levied by Riverside County and Imperial County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Article XIII A of the California Constitution

On November 7, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A, as amended, limits the amount of any ad valorem taxes on real property to 1% of the "full cash value", and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds or more of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's outstanding general obligation bonds falls within the exception for bonds approved by a two-thirds vote.

Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

Article XIII A has subsequently been amended to permit reduction of "full cash value" in the event of declining property values caused by substantial damage, destruction or other factors, to provide that there would be no increase in "full cash value" in the event of reconstruction of property damaged or destroyed in a disaster, and in various other minor or technical ways.

Legislation Implementing Article XIII A

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

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.

Article XIII B of the California Constitution

The voters of California approved Proposition 4, an initiative constitutional amendment entitled "Limitation of Government Appropriations," on November 6, 1979. Under the amendment, which added Article XIII B to the California Constitution ("Article XIII B"), state and local governmental entities are subject to an annual "appropriations limit" and are prohibited from spending "appropriations subject to limitations" (consisting of tax revenues, state subventions and certain other funds) above that limit. Propositions 98 and 111 substantially modified Article XIII B. Article XIII B does not affect the appropriation of moneys that are excluded from the definition of "appropriations subject to limitation," such as appropriations for voter-approved debt service, appropriations required to comply with certain mandates of the courts or the federal government, and appropriations for qualified capital outlay projects (as defined by the Legislature).

The appropriations limit for each agency in each year is based on the agency's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted where applicable for transfer to or from another governmental entity of financial responsibility for providing services. With respect to school districts, "change in cost of living" is defined as the change in percentage change in California per capita income from the preceding year and "change in population" means the percentage change in average daily attendance for the preceding year.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by an agency over such two-year period above the combined appropriations limit for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Under current statutory law, a

school district that receives any proceeds of taxes in excess of the allowable limit need only notify the State Director of Finance and the District's appropriations limit is increased and the State's limit is correspondingly decreased by the amount of the excess.

Proposition 218

An initiative measure entitled "Right to Vote on Taxes Act," also known as Proposition 218 (the "Initiative"), was approved by California voters at the November 5, 1996, statewide general election, and became effective on November 6, 1996. The Initiative added Articles XIIIIC and XIID to the California Constitution, and all references herein to Articles XIIIIC and XIID are references to the text as set forth in the Initiative.

Among other things, Article XIIIIC establishes that every tax imposed by a local government is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), and prohibits special purpose government agencies such as school districts from levying general taxes.

Article XIIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The District's general obligation bonds represent a contract between the District and the bondholder secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the District's outstanding general obligation bonds are issued, the taxes securing them would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

The interpretation and application of Proposition 218 and the U.S. Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

Article XIII A, Article XIII B and Propositions 98, 111, and 218 were each adopted as measures that qualified for the ballot pursuant to California'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.

LEGAL MATTERS

Series A-1 Bonds

Federal Tax Matters

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject to certain qualifications described herein under existing law, interest on the Series A-1 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel provides no opinion to owners or holders of the Series A-1 Bonds as to any other federal income tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series A-1 Bonds.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series A-1 Bonds that acquire their Series A-1 Bonds in the initial offering who are "U.S. Holders," as defined herein. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been, or are expected to be, sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions and no assurance can be given that future changes in the law will not alter the conclusions reached herein. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules. The summary is therefore limited to certain issues relating to initial investors who will hold the Series A-1 Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Series A-1 Bonds for investment and not as a dealer or for resale.

In general, if original issue discount ("OID") on a Series A-1 Bond is greater than a statutorily defined *de minimis* amount, a holder of a Series A-1 Bond must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Series A-1 Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price." For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the Series A-1 Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriter, placement agents or wholesales); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest" provided by such Series A-1 Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "*de minimis* amount" is an amount equal to 0.25 percent of the Series A-1 Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Series A-1 Bond using the constant-yield method, subject to certain modifications.

Series A-1 Premium Bonds. In general, if a Series A-1 Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the

Series A-1 Bond other than “qualified stated interest” (a “Series A-1 Premium Bond”), that Series A-1 Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Series A-1 Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Series A-1 Premium Bond, determined based on constant yield principles (in certain cases involving a Series A-1 Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to her basis in the Series A-1 Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Series A-1 Premium Bond may realize a taxable gain upon disposition of the Series A-1 Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition of Bonds and Market Discount. A beneficial owner of Series A-1 Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Series A-1 Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Series A-1 Bonds. Generally, the beneficial owner's adjusted tax basis in the Series A-1 Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Series A-1 Bonds.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to beneficial owners with respect to the Series A-1 Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Series A-1 Bond for U.S. federal income tax purposes.

U.S. Holders. The term “U.S. Holder” means a beneficial owner of a Series A-1 Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

California Tax Status. In the opinion of Bond Counsel, interest on the Series A-1 Bonds is exempt from California personal income taxes.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES A-1 BONDS.

Legal Opinion

The opinions of Bowie, Arneson, Wiles & Giannone, Newport Beach, Bond Counsel to the District, approving the validity of the Series A-1 Bonds, in substantially the form appearing in Appendix A hereto, will be supplied to the original purchasers of the Series A-1 Bonds without cost.

A copy of the legal opinion will be attached at the end of each Series A-1 Bond. See Appendix A – “Proposed Forms of Opinions of Bond Counsel” for the proposed form of the opinion of Bond Counsel concerning the Series A-1 Bonds.

Bond Counsel’s employment is limited to a review of the legal proceedings required for authorization of the Series A-1 Bonds and to rendering an opinion as to the validity of the Series A-1 Bonds and the exclusion from gross income for State income tax purposes of interest on the Series A-1 Bonds. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Series A-1 Bonds and expresses no opinion relating thereto.

Other Tax Considerations

Owners of the Series A-1 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series A-1 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series A-1 Bonds other than as expressly described above.

CIRCULAR 230 DISCLAIMER. TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, BOND COUNSEL INFORMS OWNERS OF THE SERIES A-1 BONDS THAT ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS OFFICIAL STATEMENT (INCLUDING ANY ATTACHMENTS) (a) WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER AND (b) WAS WRITTEN TO SUPPORT THE PROMOTION OF MARKETING OF THE SERIES A-1 BONDS. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THAT TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The foregoing notice is given solely for purposes of ensuring compliance with IRS Circular 230.

Series A-2 Bonds

Federal Tax Matters

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject to certain qualifications described herein under existing law, interest on the Series A-2 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel provides no opinion to

owners or holders of the Series A-2 Bonds as to any other federal income tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series A-2 Bonds.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series A-2 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A-2 Bonds. The Resolution and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Series A-2 Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel has not undertaken to determine (or to inform any person) where any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series A-2 Bonds may affect the tax status of interest on the Series A-2 Bonds.

In the further opinion of Bond Counsel, interest on the Series A-2 Bonds is exempt from State of California personal income taxation.

Although Bond Counsel has rendered an opinion that interest on the Series A-2 Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Series A-2 Bonds may otherwise affect the recipient's federal or state tax liability. Owners of the Series A-2 Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on the Series A-2 Bonds may have federal or state tax consequences other than as described above. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction.

See Appendix A – "Proposed Forms of Opinions of Bond Counsel" for the proposed form of opinion of Bond Counsel concerning the Series A-2 Bonds.

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Series A-2 Bonds and to rendering an opinion as to the validity of the Series A-2 Bonds and the exclusion from gross income for federal income tax purposes of interest on the Series A-2 Bonds. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Series A-2 Bonds and expresses no opinion relating thereto.

Bond Counsel's engagement with respect to the Series A-2 Bonds ends with the issuance of the Series A-2 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners of the Series A-2 Bonds regarding the tax-exempt status of the Series A-2 Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners of the Series A-2 Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit

examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Series A-2 Bonds for audit, or the course or result of such audit, or an audit of tax-exempt bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series A-2 Bonds, and may cause the District or the Beneficial Owners of the Series A-2 Bonds to incur significant expense.

Series A-2 Premium Bonds. To the extent the issue price of any maturity of the Series A-2 Bonds is less than the amount to be paid at maturity of such Series A-2 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series A-2 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series A-2 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series A-2 Bonds is in the first price at which a substantial amount of such maturity of the Series A-2 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series A-2 Bonds accrues daily over the term to maturity of such Series A-2 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series A-2 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series A-2 Bonds.

The Series A-2 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some case, at their earlier call date) (“Series A-2 Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Series A-2 Bonds, like the Series A-2 Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However a purchaser’s basis in a Series A-2 Premium Bond and, under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Series A-2 Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption. Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series A-2 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners of the Series A-2 Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series A-2 Bonds. In 2011 and 2012, legislative changes were proposed in Congress, which, if enacted, would have resulted in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Series A-2 Bonds. Prospective purchasers of the Series A-2 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

Internal Revenue Service Audit of Municipal Bond Issues. The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt securities issues, including both random and targeted audits. It is possible that the Series A-2 Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Series A-2 Bonds might be affected as a result of such an audit of the Series A-2 Bonds (or by an audit of similar securities).

Information Reporting and Backup Withholding. Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007, on tax-exempt obligations, including the Series A-2 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an Owner purchasing Series A-2 Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series A-2 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the Owner's federal income tax once the required information is furnished to the Internal Revenue Service. Bond Counsel provides no opinion concerning such reporting or withholding with respect to the Series A-2 Bonds.

RATINGS

The Bonds have been assigned ratings of "___" and "___" by Moody's and Standard & Poor's, respectively. The ratings reflect only the views of the respective rating agency, and any explanation of the significance of any rating may be obtained only from Moody's at www.moody.com and S&P at standardandpoors.com. There is no assurance that any rating will be retained for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

George K. Baum & Company (the "Underwriter") has agreed, pursuant to a purchase contract between the District, Riverside County and the Underwriter, to (i) purchase all of the Series A-1 Bonds for a purchase price of \$_____ (which represents the principal amount of the Series A-1 Bonds of \$_____, plus net original issue premium of \$_____, less Underwriter's discount of \$_____, and less certain amounts retained by the Underwriter to pay costs of issuance of the Series A-1 Bonds in the amount of \$_____), and (ii) purchase all of the Series A-2 Bonds for a purchase price of \$_____ (which represents the principal

amount of the Series A-2 Bonds of \$ _____, plus net original issue premium of \$ _____, less Underwriter's discount of \$ _____, and less certain amounts retained by the Underwriter to pay costs of issuance of the Series A-2 Bonds in the amount of \$ _____). The purchase contract provides that the Underwriter will purchase all of the Bonds to be purchased thereunder if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the respective purchase contracts, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of bondholders (including beneficial owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Report") not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2011-12 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (EMMA). The specific nature of the information to be contained in the Annual Report or the notices of material events is included as 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). The District failed to file in a timely manner certain sections of its annual reports required under the Rule in connection with its previously issued general obligation bonds. The District has since filed all required portions of such reports and is now current with respect to all filings required by its prior continuing disclosure undertakings.

PROFESSIONALS INVOLVED IN THE OFFERING

Bowie, Arneson, Wiles & Giannone, located at 4920 Campus Drive, Newport Beach, California 92660, is acting as Bond Counsel and District Counsel to the District with respect to the Bonds. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, located at 400 Capitol Mall, 27th Floor, Sacramento, California 95814, is acting as Disclosure Counsel to the District with respect to the Bonds. U.S. Bank National Association, located at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, is acting as Paying Agent for the Bonds. Bowie, Arneson, Wiles & Giannone and Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, will receive compensation from the District contingent upon the sale and delivery of the Bonds.

AUTHORIZATION

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

By: _____
Dr. Darryl S. Adams, Superintendent

APPENDIX A

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

Upon delivery of the Series A-1 Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Coachella Valley Unified School District, proposes to render their final approving opinion with respect to the Series A-1 Bonds in substantially the following form:

[To Be Revised]

Board of Trustees of the
Coachella Valley Unified School District
87225 Church Street
Thermal, CA 92274

Re: \$ _____ Coachella Valley Unified School District
General Obligation Bonds, 2012 Election, Series A (Federally Taxable)
Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Coachella Valley Unified School District ("District") in connection with the proceedings for the issuance and sale by the District of \$ _____ principal amount of Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series A ("Bonds"). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on January 17, 2013 (Resolution No. 2013-45) ("District Resolution"), and a Resolution of the Board of Supervisors of the County of Riverside ("County"), adopted on _____, 2013 (Resolution No. 2013-____) ("County Resolution" and collectively with the District Resolution, the "Bond Resolution"), in accordance with the provisions of the California Constitution, the provisions of California Government Code Section 53506 *et seq.*, and, to the extent applicable, California Education Code Sections 15264, 15266(b) and as applicable, the statutory authority set forth in Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100 and related California law.

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

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents.

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

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

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to ad valorem taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The Counties are required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. Bond Counsel provides no opinion as to any federal income tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The opinion provided herein by us in our role as Bond Counsel with respect to the Bonds is not intended or written by Bond Counsel to be used, and it cannot be used, by any purchaser or owner of such Bonds for the purpose of avoiding penalties that may be imposed on such purchaser or owner. The opinion provided in this paragraph

is provided to support the promotion or marketing of the Bonds. Purchasers or owners of the Bonds should seek advice based on their particular circumstances from an independent tax advisor concerning the tax consequences of the ownership of such Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases.

Very truly yours,

Upon delivery of the Series A-2 Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Coachella Valley Unified School District, proposes to render their final approving opinion with respect to the Series A-2 Bonds in substantially the following form:

[To Come]

APPENDIX B

2011-12 AUDITED FINANCIAL STATEMENTS

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

**[\$[PAR AMOUNT]*
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside and Imperial Counties, California)**

**[\$[PAR AMOUNT]*
GENERAL OBLIGATION BONDS,
2012 ELECTION, SUBSERIES A-1
(Federally Taxable)**

**[\$[PAR AMOUNT]*
GENERAL OBLIGATION BONDS,
2012 ELECTION, SUBSERIES A-2
(Federally Tax-Exempt)**

CONTINUING DISCLOSURE CERTIFICATE

This **CONTINUING DISCLOSURE CERTIFICATE** (“Disclosure Certificate”) dated _____, 2013, is executed and delivered by the Coachella Valley Unified School District (“District”), Riverside County and Imperial County, California, in connection with the issuance of \$ _____ principal amount of its (i) General Obligation Bonds, 2012 Election, Subseries A-1 (the “Series A-1 Bonds”), and (ii) General Obligation Bonds, 2012 Election, Subseries A-2 (the “Series A-2 Bonds,” and together with the Series A-1 Bonds, the “Bonds”). The Bonds are being issued pursuant to the provisions of the California Constitution and California law and pursuant to resolution adopted by the Board of Trustees of the District on March 12, 2013, and a resolution adopted by the Board of Supervisors of Riverside County on _____, 2013. The foregoing resolutions are referred to herein 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 Beneficial Owners and bondholders in order to assist the Participating Underwriter in complying with Securities and Exchange Commission 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 that (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

** Preliminary, subject to change*

Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bondholder” shall mean either the registered owner of a Bond, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final Official Statement relating to the Bonds dated _____, 2013.

“Opinion of Bond Counsel” shall mean a written opinion of a law firm or attorney experienced in matters relating to obligations the interest on which is excludable from gross income for federal income tax purposes.

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

“Repository” shall mean MSRB or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

Section 3. Provision of Annual Reports.

(a) **Delivery of Annual Report to Repository.** The District shall, or shall cause the Dissemination Agent (if other than the District) to, not later than nine months after the end of each fiscal year (which fiscal year currently ends on June 30), commencing no later than March 31, 2014, for the 2012/2013 fiscal year (which ends on June 30, 2013), provide to the Participating Underwriter and to the Repository an Annual Report that 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 any other information (as provided in Section 4 hereof); 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.

(b) **Change of Fiscal Year.** 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(e).

(c) Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to that date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the Dissemination Agent has not received a copy of the Annual Report on or before fifteen (15) Business Days prior to March 31 in any year, the Dissemination Agent shall notify the District of such failure to receive the Annual Report. The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(d) Report of Non-Compliance. If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A.

(e) Annual Compliance Certification. The Dissemination Agent shall submit any Annual Report received by it to the Repository as provided for herein and shall file a report with the District (if the Dissemination Agent is other than the District) certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided.

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

(a) Annual Financial Information

(1) The audited financial statements of the District for the most recent ended fiscal year, prepared in accordance with generally accepted accounting principles applicable from time to time to the District. If the audited financial statements are not available at the time the Annual Report is to be provided or made available, unaudited financial statements will be provided or made available by the District, and the audited financial statements will be provided or made available when complete.

(2) The approved budget for the District for the then-current fiscal year.

(b) Additional Financial Data. Updates of the following information for the most recently ended fiscal year in the same form as included in the Official Statement, to the extent not provided in subsection (a) above:

(1) the name, office held, and date of expiration of term of each member of the Board of Trustees,

(2) a schedule of changes in long-term debt;

(3) average daily attendance and enrollment; and

(4) the assessed valuation of property in the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities that

have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Listed Events Reportable Without Regard to Materiality. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice pursuant to Sections 5(d) and 5(e) of the occurrence of any of the following events with respect to the Bonds not later than ten (10) business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, or their failure to perform;
- (5) defeasances;
- (6) rating changes;
- (7) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);
- (8) tender offers;
- (9) bankruptcy, insolvency, receivership or similar event of the District.

(b) Listed Events Reportable if Material. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice pursuant to Sections 5(d) and 5(e) of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) business days after the occurrence of the event:

- (1) except as otherwise provided in paragraph 5(a)(7) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax-exempt status of the Bonds;
- (2) non-payment related defaults;
- (3) modifications to rights of Bondholders;
- (4) bond calls;
- (5) release, substitution, or sale of property securing repayment of the Bonds;
- (6) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the obligated person, or entry into or termination of a definitive agreement relating to the foregoing;
- (7) appointment of a successor or additional trustee or the change of name of a trustee.

(c) Determination of Materiality of Listed Events Reportable if Material. Whenever the District obtains knowledge of the occurrence of an event listed under Section 5(b), the District shall immediately determine if such event would be material under applicable federal securities laws.

(d) Notice to Dissemination Agent. If the District learns of the occurrence of an event listed under Section 5(a) or determines that an event listed under Section 5(b) would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(e) Notice of Listed Events. The District shall file, or cause the Dissemination Agent to file with the Repository, a notice of the occurrence of a Listed Event to provide notice of specified events in a timely manner not in excess of ten business days after the event's occurrence. Notwithstanding the foregoing, notice of Listed Events described in subsection (b)(4) (bond calls) need not be given under this subsection any earlier than the notice (if any) given to owners of affected Bonds pursuant to the Resolutions.

Section 6. Filings with MSRB. All documents shall be submitted to the Repository in an electronic format and shall be accompanied by identifying information, all as prescribed by the Repository.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the 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.

Section 8. Dissemination Agent. (a) Appointment of Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, 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.

(b) Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

(c) Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees, attorneys, agents and receivers, 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 respective 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 may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repository. In accepting the appointment under this Disclosure Certificate, the Dissemination Agent is not acting in a fiduciary capacity to the Bondholders or

Beneficial Owners of the Bonds, the District, the Participating Underwriter or any other party or person. No provision of this Disclosure Certificate shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) **Change in Circumstances.** If the amendment or waiver relates to the provisions of Sections 3(a), 4, or subsection (a) or (b) of Section 5, 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) **Compliance as of Issue Date.** This Disclosure Certificate, as amended or taking into account such waiver, would 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, and the District obtains an Opinion of Bond Counsel to that effect; and

(c) **Consent of Beneficial Owners; Non-impairment Opinion.** The amendment or waiver either (i) is approved by the Beneficial Owners in the same manner as provided in the Resolutions for amendments to the Resolutions with the consent of Bondholders, or (ii) does not materially impair the interests of the Beneficial Owners and the District obtains an Opinion of Bond Counsel to that effect.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following 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(e), 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report

or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner 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. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

Section 13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 14. State of California Law Governs. The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

IN WITNESS WHEREOF the District has caused this Continuing Disclosure Certificate to be signed by its authorized officer on the date first written above.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Coachella Valley Unified School District
Name of Bonds: General Obligation Bonds, 2012 Election, Subseries A-1 , and General Obligation Bonds, 2012 Election, Subseries A-2
Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that Coachella Valley Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds (the "Bonds") for the fiscal year ended June 30, _____, as required by a Continuing Disclosure Certificate executed on _____, 2013, with respect to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

APPENDIX D

ECONOMIC PROFILE OF RIVERSIDE COUNTY

General

The County of Riverside (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 was formed in 1893 and has its County seat in the City of Riverside.

Population

The following table presents population figures for the County and the State from 2000 through 2012.

COUNTY OF RIVERSIDE AND STATE OF CALIFORNIA Population 2000 Through 2012

Year	Riverside County	State of California
2000 ⁽¹⁾	1,545,387	33,873,086
2001	1,589,708	34,256,789
2002	1,655,291	34,725,516
2003	1,730,219	35,163,609
2004	1,814,485	35,570,847
2005	1,895,695	35,869,173
2006	1,975,913	36,116,202
2007	2,049,902	36,399,676
2008	2,102,741	36,704,375
2009	2,140,626	36,966,713
2010 ⁽¹⁾	2,189,641	37,253,956
2011	2,205,731	37,427,946
2012	2,227,577	37,678,563

(1) Decennial Census.

Source: State of California, Department of Finance, (i) Table E-4 Population Estimates for Cities, Counties and the State 2001-2010, with 2000 and 2010 Census Counts, revised November 2012, and (ii) Table E-1 Population Estimates with annual percent change January 1, 2011 and January 1, 2012

Employers

Employment and unemployment figures for the District are unavailable. For the past five years the unemployment rate in the County has been above the unemployment rate of the State and above the unemployment rate of the United States. For a summary of the labor force, employment and unemployment figures over the past five years for the County, the State and the United States as a whole see "Labor Force" herein.

The following listing sets forth the top 25 employers in the County as of 2011:

COUNTY OF RIVERSIDE Top 25 Employers

Company Name	Number of Employees	Location	Industry
County of Riverside	17,702	Countywide	County Government
March Air Reserve Base	9,000	March ARB	Military Reserve Base
Stater Bros. Markets	6,900	Countywide	Supermarkets
University of California, Riverside	5,790	Riverside	University
Wal-Mart	5,360	Countywide	Retailer
Corona-Norco Unified School District	4,686	Corona	School District
Kaiser Permanente Riverside Medical Center	4,000	Riverside	Hospital
Pechanga Resort & Casino	4,000	Riverside	Resort Casino
Riverside Unified School District	3,796	Riverside	School District
Moreno Valley Unified School District	3,500	Moreno Valley	School District
Hemet Unified School District	3,238	Hemet	School District
Abbot Vascular	2,938	Temecula	Surgical & Medical Instruments Manufacturer
Temecula Valley Unified School District	2,730	Temecula	School District
Eisenhower Medical Center	2,517	Rancho Mirage	Hospital
City of Riverside	2,500	Riverside	City Government
Riverside County Regional Medical Center	2,500	Moreno Valley	Hospital
Agua Caliente Band of Cahuilla Indians	2,403	Palm Springs & Rancho Mirage	Tribal Government/Casinos
Desert Sands Unified School District	2,403	La Quinta	School District
Lake Elsinore Unified School District	2,131	Lake Elsinore	School District
Jurupa Unified School District	2,106	Jurupa Valley	School District
Riverside Community College District	2,011	Riverside	Community College District
Palm Springs Unified School District	2,000	Palm Springs	School District
Murrieta Valley Unified School District	1,920	Murrieta	School District
Morongo Casino, Resort & Spa	1,915	Cabazon	Resort Casino
Riverside Community Hospital	1,800	Riverside	Hospital

Source: Riverside County Economic Development Agency.

Building Activity

The following table shows residential and non-residential construction valuation information for the County for 1997 through 2011.

COUNTY OF RIVERSIDE Construction Valuation (in 000's) 1997 – 2011

<u>Year</u>	<u>Residential Valuation</u>	<u>Non-Residential Valuation</u>	<u>Totals</u>
1997	\$1,440,470	\$ 517,241	\$1,957,711
1998	1,925,704	588,313	2,514,017
1999	2,476,024	607,496	3,083,520
2000	2,716,143	766,914	3,483,057
2001	3,300,710	656,897	3,957,607
2002	3,910,879	716,379	4,627,257
2003	5,175,088	899,068	6,074,156
2004	6,537,305	1,339,866	7,877,171
2005	6,992,304	1,266,008	8,256,713
2006	5,000,389	1,529,833	6,530,223
2007	2,587,832	1,458,141	4,045,973
2008	1,576,983	1,041,815	2,618,798
2009	1,053,694	376,822	1,430,516
2010	1,079,639	539,380	1,619,019
2011	886,520	559,415	1,445,935

Source: Construction Industry Research Board.

Employment and Industry

The labor force and distribution of employment by industry in the County of Riverside are presented in the following table. Overall, between 2007 and 2011, total employment decreased approximately 4.51%, while population increased approximately 7.60% in the County for the same period.

COUNTY OF RIVERSIDE Annual Average Labor Force and Industry Employment 2007 – 2011⁽¹⁾

	2007	2008	2009	2010	2011
<u>Wage and Salary Employment⁽²⁾</u>					
Agriculture	13,000	13,100	12,400	12,400	12,800
Mining & Logging	700	500	500	400	400
Construction	68,900	54,700	40,400	35,400	34,300
Manufacturing	54,400	48,400	39,000	37,900	39,000
Wholesale Trade	21,100	20,400	18,700	19,100	19,900
Retail Trade	88,000	84,900	78,800	78,500	79,400
Transportation, Warehousing & Utilities	20,900	21,200	19,700	19,400	20,300
Information	7,800	7,700	8,500	10,200	9,600
Financial Activities	23,000	22,300	20,700	19,300	18,300
Professional and Business Services	63,000	58,000	53,600	50,300	52,700
Education and Health Services	56,900	58,100	57,900	58,000	61,600
Leisure and Hospitality Services	73,700	72,800	68,700	67,700	69,300
Other Services	20,100	19,400	18,100	18,300	19,000
Government	<u>108,800</u>	<u>110,600</u>	<u>109,300</u>	<u>109,200</u>	<u>112,200</u>
Total All Industries ⁽³⁾	620,200	592,000	546,300	536,000	548,800
<u>Total Civilian Labor Force⁽⁴⁾</u>	903,400	912,700	916,500	937,500	938,400
Total Employment	848,900	835,000	793,900	801,600	810,600
Total Unemployment	54,500	77,700	122,600	135,900	127,800
Unemployment Rate	6.0%	8.5%	13.4%	14.5%	13.6%

(1) Latest information available.

(2) Based on place of work.

(3) Totals may not add due to rounding.

(4) Based on place of residence.

Source: California Employment Development Department, Labor Market Information. March 2011 Benchmark.

Labor Force

The following table summarizes the labor force, employment and unemployment figures from 2006 through 2011 for the County, the State of California and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT Riverside County, State of California and United States 2006 – 2011

	Area	Labor Force	Employment	Unemployment Rate
2006	Riverside County	883,400	839,000	5.0%
	California	17,686,700	16,821,300	4.9%
	United States	151,428,000	144,427,000	4.6%
2007	Riverside County	903,400	848,900	6.0%
	California	17,921,000	16,960,700	5.4%
	United States	153,124,000	146,047,000	4.6%
2008	Riverside County	912,700	835,000	8.5%
	California	18,203,100	16,890,000	7.2%
	United States	154,287,000	145,362,000	5.8%
2009	Riverside County	916,500	793,900	13.4%
	California	18,208,300	16,144,500	11.3%
	United States	154,142,000	139,877,000	9.3%
2010	Riverside County	937,500	801,600	14.5%
	California	18,316,400	16,051,500	12.4%
	United States ⁽³⁾	153,889,000	139,064,000	9.6%
2011	Riverside County	938,400	810,600	13.6%
	California	18,384,900	16,226,600	11.7%
	United States ⁽³⁾	153,617,000	139,869,000	8.9%

Note: Data are not seasonally adjusted.

Sources: U.S. Department of Labor, Bureau of Labor Statistics; California Employment Development Department, Labor Market Information, March 2011 Benchmark and Census 2000 population controls at the state level.

Personal Income

The following table summarizes total personal income for the County for the period from 2000 to 2011.

PERSONAL INCOME 2000 - 2011⁽¹⁾ (in thousands)

<u>Year</u>	<u>Riverside County</u>	<u>Annual Percent Change</u>
2000	\$38,238,713	--
2001	41,362,723	8.17%
2002	43,619,440	5.46
2003	46,998,865	7.75
2004	50,899,043	8.30
2005	55,177,252	8.41
2006	60,450,090	9.56
2007	63,749,464	5.46
2008	65,067,438	2.07
2009	61,965,156	4.77
2010	63,949,636	3.20
2011	67,024,780	4.81

(1) Estimates for 2000-2011 reflect County population estimates available as of April 2012.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, updated November 26, 2012.

The following table summarizes per capita personal income for the County, the State of California and the United States for the period from 2000-2011.

PER CAPITA PERSONAL INCOME 2000 - 2011⁽¹⁾

<u>Year</u>	<u>Riverside County⁽²⁾</u>	<u>California⁽³⁾</u>	<u>United States⁽³⁾</u>
2000	\$24,526	\$33,404	\$30,319
2001	25,616	33,896	31,157
2002	25,922	34,049	31,481
2003	26,647	34,975	32,295
2004	27,578	36,887	33,909
2005	28,777	38,731	35,452
2006	30,303	41,518	37,725
2007	30,720	43,211	39,506
2008	30,842	44,003	40,947
2009	28,865	41,034	38,637
2010	29,029	41,893	39,791
2011	29,927	43,647	41,560

(1) Per capita personal income is total personal income divided by total midyear population.

(2) Estimates for 2000-2011 reflect state population estimates available as of April 2012.

(3) Estimates for 2000-2011 reflect state population estimates available as of December 2011.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, updated September 25, 2012.

Taxable Sales

The following table summarizes the annual volume of taxable transactions in the County from 2006 to 2010 (the latest available annual period):

TAXABLE SALES Riverside County 2006 - 2010⁽¹⁾ (In Thousands)

<u>Type of Business</u> ⁽²⁾	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Apparel Stores	\$1,080,385	\$1,171,013	\$1,121,543	\$1,293,271	\$1,391,174
Health and Personal Care	--	--	--	389,620	400,207
Sporting Goods/Hobby/Book/Music	--	--	--	411,301	428,121
Food Stores	1,309,782	1,352,609	1,254,366	--	--
Food and Beverage Stores	--	--	--	1,251,220	1,267,758
Eating and Drinking	2,316,422	2,388,039	2,340,554	2,266,853	2,317,486
Home Furnishings & Appliances	948,217	843,945	816,379	--	--
Furniture and Home Furnishings	--	--	--	381,643	412,325
Electronics and Appliances	--	--	--	476,455	470,784
Building Materials Group	2,390,236	1,961,911	1,435,337	--	--
Building Materials/Garden Equip/Supplies	--	--	--	1,237,518	1,232,145
Automotive & Service Stations	7,372,647	7,137,075	6,126,512	--	--
Motor Vehicle and Parts Dealers	--	--	--	2,449,747	2,620,568
Gasoline Stations	--	--	--	2,300,247	2,685,840
General Merchandise	3,553,554	3,593,134	3,389,936	2,855,733	2,947,905
Specialty Stores	2,262,442	1,210,642	924,809	--	--
Miscellaneous Store Retailers	--	--	--	641,954	652,273
Nonstore Retailers	--	--	--	101,925	92,916
Other Retail Stores	<u>608,660</u>	<u>1,584,148</u>	<u>1,279,813</u>	<u>6,170,390</u>	<u>6,233,280</u>
Total Retail and Food Services	\$21,842,345	\$21,242,516	\$18,689,249	\$16,057,488	\$16,919,500
Business & Personal Services	1,151,861	1,112,407	1,045,714	--	--
All Other Outlets	<u>6,822,031</u>	<u>6,668,686</u>	<u>6,268,632</u>	<u>6,170,390</u>	<u>6,233,280</u>
Total Taxable Sales	<u>\$29,816,237</u>	<u>\$29,023,609</u>	<u>\$26,003,595</u>	<u>\$22,227,877</u>	<u>\$23,152,780</u>

(1) Latest information available.

(2) "Type of Business" categories revised by the California State Board of Equalization in 2009.

Source: California State Board of Equalization.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, 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, 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 the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing

Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other 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.

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

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

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from 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 nor its nominee, 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities 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 securities depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.