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

Moody's (Insured): "Aaa" *Moody's (Underlying): "A2"*
Standard & Poor's (Insured):"AAA" *Standard & Poor's (Underlying): "A+"*

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, under existing laws, regulations, rulings and court decisions, and assuming, among other things, compliance with certain covenants, interest on the Series 2008A Bonds is exempt from present California personal income taxes, is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations although it will be included in adjusted current earnings for purposes of calculating corporate alternative minimum taxable income. See "LEGAL MATTERS-Tax Matters" herein.

$180,000,000
SWEETWATER UNION HIGH SCHOOL DISTRICT
General Obligation Bonds, Election of 2006, Series 2008A
(County of San Diego, California)

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

The Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2008A (the "Series 2008A Bonds"), in the aggregate principal amount of $180,000,000, are being issued by the Sweetwater Union High School District (the "District"). The Series 2008A Bonds are the first series of bonds being issued under the authorization to issue general obligation bonds in an aggregate principal amount of up to $644,000,000, approved by voters of the District at an election conducted on November 7, 2006, as more fully described herein under the caption "THE BONDS – Authority for Issuance."

The Series 2008A Bonds are being issued by the District to (i) finance the construction, reconstruction, acquisition, furnishing and equipping of District facilities, and (ii) pay certain costs of issuance of the Series 2008A Bonds. Interest on the Series 2008A Bonds is payable on February 1 and August 1 of each year, commencing on August 1, 2008. Payments of principal and interest on the Series 2008A Bonds will be made by the San Diego County Treasurer's Office, as Paying Agent.

The Series 2008A Bonds will be issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their ownership interests in the Series 2008A Bonds. DTC will act as securities depository of the Series 2008A Bonds as described herein under the caption "THE BONDS – Book-Entry Only System."

The Series 2008A Bonds are payable solely from *ad valorem* property taxes levied and collected by the County of San Diego (the "County"). The Board of Supervisors of the County has the power and is obligated to annually levy ad valorem taxes upon all property subject to taxation within the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2008A Bonds. The Series 2008A Bonds are not obligations of the County, the State of California or any of its other political subdivisions. "THE BONDS – Security and Source of Payment for the Bonds" herein. The District has previously issued general obligation bonds from prior authorizations that are similarly secured by tax levies.

The Series 2008A Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS – Redemption of the Bonds" herein.

The scheduled payment of principal of and interest on the Series 2008A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2008A Bonds by FINANCIAL SECURITY ASSURANCE INC.

FSA®

MATURITY SCHEDULE
(See Inside Cover)

This cover page contains certain information for general reference only. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2008A Bonds will be offered when, as and if issued, subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Garcia Calderón Ruíz, LLP, San Diego, California, as Disclosure Counsel to the District and as District Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP. It is anticipated that the Series 2008A Bonds, in book-entry form, will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about March 27, 2008, in New York, New York.

UBS Investment Bank **Alta Vista Financial, Inc.**

Dated: March 12, 2008

MATURITY SCHEDULE
Base CUSIP®: 870462

$17,265,000 Series 2008A Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP®
2008	$6,525,000	5.500%	2.000%	PT9
2009	1,095,000	5.000	2.220	PU6
2010	1,560,000	3.750	2.400	PV4
2011	50,000	3.750	2.620	PW2
2012	495,000	3.500	2.800	PX0
2013	970,000	3.000	3.000	PY8
2014	1,055,000	3.125	3.130	PZ5
2015	1,040,000	4.000	3.280	QA9
2016	1,180,000	4.000	3.430	QB7
2017	1,180,000	4.000	3.640	QC5
2018	1,175,000	5.500	3.780	QD3
2019	715,000	5.250	3.940	QE1
2020	225,000	4.000	4.150	QF8

$162,735,000 Series 2008A Term Bonds

$17,955,000, 5.000% Term Bonds due August 1, 2032 Priced to Yield 5.050%, CUSIP® 870462QG6

$44,855,000, 5.000% Term Bonds due August 1, 2038 Priced to Yield 5.100%, CUSIP® 870462QH4

$99,925,000, 5.625% Term Bonds due August 1, 2047 Priced to Yield 5.120%, CUSIP® 870462QJ0

® *A registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Services Bureau, a division of The McGraw-Hill Companies, Inc., and are set forth herein for convenience of reference only. Neither the District nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.*

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

This Official Statement is submitted in connection with the sale of the Series 2008A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The Preliminary Official Statement has been deemed final by the District for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

No offering except by this Official Statement; No Unlawful Offer or Solicitation. No dealer, broker, salesperson or other person has been authorized by the District to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2008A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Series 2008A Bonds.

Information in this Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. This Official Statement is submitted in connection with the sale of the Series 2008A Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

Underwriter Participation. The Underwriters have provided the following language for inclusion herein: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No Registration. The Series 2008A Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Series 2008A Bonds have not been registered or qualified under the securities laws of any state.

Insurer Disclaimer. Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and APPENDIX E – "Specimen Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2008A Bonds; or (iii) the tax exempt status of the interest on the Series 2008A Bonds.

Estimates and Projections. When used in this Official Statement and in any future continuing disclosure filing made by, or on behalf of, the District, 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" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2008A Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008A BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2008A BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

SWEETWATER UNION HIGH SCHOOL DISTRICT
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

District Administration

Jesus M. Gandara, Ed.D., *Superintendent*
Dianne Russo, *Chief Financial Officer*
Karl Bradley, *Assistant Superintendent of Facilities and Operations*
Iva Butler, *Facilities Accounting Supervisor*

PROFESSIONAL SERVICES

Bond Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Financial Advisor

Gardner, Underwood & Bacon LLC
Los Angeles, California

Disclosure Counsel / District Counsel

Garcia Calderón Ruíz, LLP
San Diego, California

Underwriters' Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Paying Agent, Authentication Agent, Transfer Agent and Bond Registrar

San Diego County Treasurer-Tax Collector
San Diego, California

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$180,000,000
SWEETWATER UNION HIGH SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2006, SERIES 2008A
(County of San Diego, California)

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and a guide to, and is qualified by, the more complete information contained in this Official Statement, including the cover page and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and the documents summarized or described herein. The offering of the Series 2008A Bonds to potential investors is made only by means of this entire Official Statement.

The Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2008A (the "Series 2008A Bonds"), in the aggregate principal amount of $180,000,000 are being issued by the Sweetwater Union High School District (the "District"). Proceeds from the sale of the Series 2008A Bonds will be used to (i) finance the construction, reconstruction, acquisition, furnishing and equipping of District facilities (collectively, the "Project"), as more particularly described herein; and (ii) to pay certain costs of issuance of the Series 2008A Bonds. See "THE BONDS – Purpose of Issue" and "SOURCES AND USES OF FUNDS – The Project."

The District was established under and pursuant to the laws of the State of California (the "State") in 1920 and is located in the southern portion of the County of San Diego (the "County"). The District encompasses approximately 150 square miles, and as of Fiscal Year 2007-08 serves over 42,500 grade 7-12 students and over 21,600 adult students. The District currently operates 10 middle schools, one junior high school, 13 senior high schools, one continuation high school, four adult schools, and an alternative program for grades 7-12. Educational opportunities for adults are available through the District's adult education programs at four schools. The District recently completed construction of Olympic High School, also known as High School No. 13, located in Village Seven of the Otay Ranch development within the city of Chula Vista. See "SWEETWATER UNION HIGH SCHOOL DISTRICT" herein. Taxable property in the District has a 2007-08 assessed valuation of $38,133,567,981. See "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

The District has certain existing long-term obligations and lease financing obligations and direct and overlapping bonded indebtedness as set forth herein under the caption "DISTRICT FINANCIAL INFORMATION – District Debt." Selected information from the District's audited financial statements for the fiscal year ended June 30, 2007, are attached hereto as APPENDIX B.

THE BONDS

Authority for Issuance

The Series 2008A Bonds are being issued by the District under the provisions of the California Constitution, Title 1, Division 1, Part 10, Chapter 1.5 of the California Education Code (the "Education Code") (commencing with Section 15264), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code ("Government Code") (commencing with Section 53506), and pursuant to a resolution of the Board of Trustees of the District adopted on January 28, 2008 (the "Resolution"). On February 26, 2008, the Board of Supervisors of the County adopted Resolution 08-025, a resolution consenting to and authorizing the District to issue and deliver the Series 2008A Bonds.

The issuance of the Series 2008A Bonds was authorized pursuant to provisions of the State Constitution reflecting changes made under "Proposition 39," a Constitutional initiative passed by voters on November 7, 2000, and related State legislation. In compliance with Proposition 39, the issuance of not to exceed $644,000,000 aggregate principal amount of general obligation bonds was approved by at least 55% of the voters at an election conducted within the District on November 7, 2006 (the "Authorization"). For further information regarding Proposition 39, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 39" herein. The Series 2008A Bonds are the first issue under the Authorization, after which $464,000,000 aggregate principal amount will remain available for issuance as subsequent series of the District's General Obligation Bonds, Election of 2006.

Purpose of Issue

The net proceeds of the Series 2008A Bonds, and any other series of general obligation bonds issued under the Authorization, will be used for the purposes specified in the Authorization.

Security and Source of Payment for the Bonds

The Series 2008A Bonds represent a general obligation of the District payable solely from *ad valorem* property taxes levied and collected pursuant to the Authorization. The County Board of Supervisors has the power and is obligated to annually levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of principal and interest on the Series 2008A Bonds when and as such shall become due. See "TAX BASE FOR REPAYMENT OF THE BONDS" herein. Such taxes, when collected, will be deposited into the "Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2008A Bond Debt Service Fund" (the "Debt Service Fund"), which is created and established under the Resolution for the payment of principal and interest on the Series 2008A Bonds when and as such shall become due, except as may be required to satisfy rebate obligations and other limited exemptions set forth in the Resolution. Interest earned on funds held in the Debt Service Fund also secure the payment of principal and interest on the Series 2008A Bonds. See "SOURCES AND USES OF FUNDS – Application of Proceeds of Series 2008A Bonds."

Description of the Bonds

The Series 2008A Bonds will be dated as of the date of delivery (the "Date of Issuance").

The Series 2008A Bonds will be issued as fully registered bonds, without coupons, in $5,000 denominations or any integral multiple thereof. The Series 2008A Bonds will mature on August 1 in the years indicated on the inside cover page hereof. Interest with respect to the Series 2008A Bonds accrues from the Date of Issuance and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date") commencing on August 1, 2008. Each Series 2008A Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the fifteenth day prior to the initial Interest Payment Date, in which event it will bear interest from the Date of Issuance, computed using a year of 360 days, comprised of twelve 30-day months; provided, however, that if at the time of authentication of any Series 2008A Bond, interest is then in default on outstanding Series 2008A Bonds, such Series 2008A Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Book-Entry Only System

The Series 2008A Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC, with no physical distribution of the Series 2008A Bonds made to the public. For further information regarding DTC and the book entry system, see APPENDIX D hereto. DTC will act as securities depository for the Series 2008A Bonds. So long as Cede & Co. is the registered owner of the Series 2008A Bonds, as nominee of DTC, references herein to the Owners or registered owners will mean Cede & Co. as aforesaid, and will not mean the Beneficial Owners (as defined on APPENDIX D hereto) of the Series 2008A Bonds.

So long as Cede & Co. is the registered owner of the Series 2008A Bonds, principal of and interest or premium, if any, on the Series 2008A Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by the Paying Agent to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined on APPENDIX D hereto) for subsequent disbursement to the Beneficial Owners. See "APPENDIX D – Book Entry Only System" herein.

The Paying Agent, the District and the County have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, or interest in the Series 2008A Bonds.

Redemption of the Bonds

Optional Redemption. The Series 2008A Bonds maturing on or before August 1, 2018, are not subject to redemption prior to their respective stated maturities. The Series 2008A Bonds maturing on or after August 1, 2019, are subject to redemption prior to their respective stated maturity dates, at the option of the District, in whole or in part, from any available source of funds, on any date on or after August 1, 2018, at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The $17,955,000 Term Bond maturing on August 1, 2032, is subject to mandatory sinking fund redemption on each Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date	Principal Amount to be Redeemed
August 1, 2030	$ 5,695,000
August 1, 2031	5,980,000
August 1, 2032 (maturity)	6,280,000

The $44,855,000 Term Bond maturing on August 1, 2038, is subject to mandatory sinking fund redemption on each Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date	Principal Amount to be Redeemed
August 1, 2033	$ 6,595,000
August 1, 2034	6,925,000
August 1, 2035	7,270,000
August 1, 2036	7,635,000
August 1, 2037	8,015,000
August 1, 2038 (maturity)	8,415,000

The $99,925,000 Term Bond maturing on August 1, 2047, is subject to mandatory sinking fund redemption on each Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date	Principal Amount to be Redeemed
August 1, 2039	$ 8,835,000
August 1, 2040	9,330,000
August 1, 2041	9,855,000
August 1, 2042	10,410,000
August 1, 2043	10,995,000
August 1, 2044	11,610,000
August 1, 2045	12,260,000
August 1, 2046	12,950,000
August 1, 2047 (maturity)	13,680,000

The principal amount to be redeemed by Mandatory Sinking Fund Redemptions in each year shown in the tables above will be reduced proportionately, in integral multiples of $5,000, by any portion of the Term Bond optionally redeemed prior to the mandatory sinking fund redemption date.

Notice of Redemption. Notice of redemption for the Series 2008A Bonds will be mailed by the Paying Agent, first class postage prepaid, not less than 30 nor more than 60 days prior to the corresponding redemption date, to the respective registered owners thereof at the addresses appearing on the bond registration books. The actual receipt by any Owner of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption. The Paying Agent will also provide notice of the redemption to at least one of the Informational Services (as defined in the Resolution). Neither the District nor the County will have any liability to the Owners of any Series 2008A Bonds, or any other party, as a result of the District's failure to redeem the Series 2008A Bonds designated for redemption as a result of insufficient moneys therefor.

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Series 2008A Bonds so called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2008A Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission. Neither the District nor the County will have any liability to any party as a result of the District's decision to rescind a redemption of any Series 2008A Bond.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Series 2008A Bonds and less than all outstanding Series 2008A Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Series 2008A Bonds for redemption in such order as the District may direct, and if not so directed, will pay Series 2008A Bonds in inverse order of maturity and, within a maturity, the Paying Agent will select Series 2008A 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 Series 2008A Bond to be redeemed in part will be in the principal amount of $5,000 or any integral multiple thereof.

Effect of Notice of Redemption. Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund, the Series 2008A Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Series 2008A Bonds to be redeemed, together with interest to such redemption date, will be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given, then from and after such redemption date, interest on the Series 2008A Bonds to be redeemed will cease to accrue and become payable. The registered owners of said Series 2008A Bonds so called for redemption after such redemption date will look for the payment of such Series 2008A Bonds and the premium thereon only to such money provided therefor.

Defeasance and Partial Defeasance

The Series 2008A Bonds may be defeased prior to maturity in the following ways:

a. Cash. By irrevocably depositing with the Paying Agent or a bank, banking association, or trust company (as the District shall select) an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Series 2008A Bonds outstanding, including all principal and interest and premium, if any; or

b. Defeasance Securities. By irrevocably depositing with a bank or trust company, in escrow, noncallable Defeasance Securities (as defined below), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Series 2008A Bonds outstanding (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any of the Series 2008A Bonds will not have been surrendered for payment, all obligations of the District and the County with respect to all outstanding Series 2008A Bonds will cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Series 2008A Bonds not so surrendered and paid all sums due with respect thereto.

"Defeasance Securities" means, (i) non-callable obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: U.S. Treasury Obligations; Farmers Home Administration certificates or beneficial ownership; General Services Administration participation certificates; U.S. Maritime Administration Guaranteed Title XI financing; Small Business Administration guaranteed participation certificates and guaranteed pool certificates; Government National Mortgage Association (GNMA) guaranteed mortgage-backed securities and guaranteed participation certificates; U.S. Department of Housing and Urban Development local authority bonds; Washington Metropolitan Area Transit Authority guaranteed transit bonds; State and Local Government Series; and Veterans Administration guaranteed REMIC Pass-through certificates; and (ii) the following non-callable obligations or government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corp. (FHLMC) debt obligations; Farm Credit System (Formerly: Federal Land Banks, Intermediate Credit Banks, and Banks for Cooperatives) consolidated systemwide bonds and notes; Federal Home Loan Banks (FHL Banks) consolidated debt obligations; Federal National Mortgage Association (FNMA) debt obligations; Student Loan Marketing Association (SLMA) debt obligations; Financing Corp. (FICO) debt obligations; Resolution Funding Corp. (REFCORP) debt obligations; U.S. Agency for International Development (U.S. A.I.D.) guaranteed notes (provided such notes mature at least 4 business days before the appropriate payment date); and (iii) stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U.S. Treasury, and REFCORP securities stripped by the Federal Reserve Bank of New York.

A portion of the then-outstanding maturities of the Series 2008A Bonds may be defeased prior to maturity in the following ways:

a. Cash. By irrevocably depositing with a the Paying Agent or bank, banking association, or trust company (as the District will select) an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay the designated outstanding maturities of Series 2008A Bonds, including principal, interest and premium, if any; or

b. Defeasance Securities. By irrevocably depositing with a bank or trust company, in escrow, noncallable Defeasance Securities, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge the designated maturities of Series 2008A Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any such designated maturities of Series 2008A Bonds will not have been surrendered for payment, all obligations of the District and the County with respect to all such outstanding designated maturities of Series 2008A Bonds will cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the designated Series 2008A Bonds of such maturities not so surrendered and paid all sums due with respect thereto.

Paying Agent

The San Diego County Treasurer-Tax Collector, San Diego, California (the "County Treasurer"), will act as the initial transfer agent, authenticating agent, bond registrar and paying agent for the Series 2008A Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Series 2008A Bonds and DTC's book-entry method is used for the Series 2008A Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC

Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Series 2008A Bonds called for redemption or of any other action premised on such notice.

Payment

Payment of interest on any Series 2008A Bond on any Interest Payment Date will be made to the person appearing on the registration books of the Paying Agent as the owner thereof as of the Record Date, such interest to be paid by check mailed to such owner on the Interest Payment Date at his or her address as it appears on such registration books or at such other address as he or she may have filed with the Paying Agent for that purpose on or before the Record Date. The owner in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

The principal, and redemption price, if any, payable on the Series 2008A Bonds will be payable upon maturity or earlier redemption upon surrender of such Series 2008A Bonds at the principal office of the Paying Agent. The interest, principal and redemption price, if any, on the Series 2008A Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Series 2008A Bonds when duly presented for payment at maturity, and to cancel all Series 2008A Bonds upon payment thereof. The Series 2008A Bonds do not constitute an obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Series 2008A Bonds.

SOURCES AND USES OF FUNDS

Estimated Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Series 2008A Bonds are as follows:

Sources of Funds	
Principal Amount of Series 2008A Bonds	$180,000,000.00
Net Original Issue Premium	3,746,193.85
Total Sources	**$183,746,193.85**
Uses of Funds	
Deposit to Building Fund	180,000,000.00
Deposit to Debt Service Fund[(1)]	$10,409.10
Underwriters' Discount	$954,740.00
Costs of Issuance[(2)]	2,781,044.75
Total Uses	**$183,746,193.85**

(1) Represents net original issue premium on the Series 2008A Bonds dedicated to debt service payments thereon.
(2) Payments to be made by the Underwriters, at the direction of the District, including fees of Bond Counsel, Financial Advisor, District Counsel, Disclosure Counsel, Rating Agency Fees, bond insurance premium in the amount of $2,384,669.11, and other costs of issuance with respect to the Series 2008A Bonds.

The Project

As part of the Authorization, the District prepared and submitted to the Board and the electorate for approval a description (the "Project List") of capital improvement projects to be built, acquired, constructed, installed or financed with the proceeds of the Series 2008A Bonds. The Project List was presented to the voters and the use of bond proceeds in connection therewith was approved pursuant to the Authorization. Pursuant to the Authorization and the Resolution, the proceeds of the Series 2008A Bonds deposited into the Building Fund (defined below) will be used for projects on the Project List.

Currently anticipated use of proceeds of the Series 2008A Bonds include, but are not limited to, repairing and earthquake retrofitting classrooms and restrooms; installing upgraded fire safety systems, security fencing and safety lighting; upgrading science labs and computer technology; improving handicap accessibility; replacing leaky roofs, heating/air conditioning and outdated plumbing; and removing asbestos, mold and lead paint.

Debt Service Schedule

The following table summarizes the debt service requirements of the District for the Series 2008A Bonds (assuming no optional redemption):

Maturity Date (August 1)	Principal Amount	Interest[(1)] Rate	Total Debt Service
08/01/2008	$ 6,525,000.00	$ 3,293,521.81	$ 9,818,521.81
08/01/2009	1,095,000.00	9,202,962.50	10,297,962.50
08/01/2010	1,560,000.00	9,148,212.50	10,708,212.50
08/01/2011	50,000.00	9,089,712.50	9,139,712.50
08/01/2012	495,000.00	9,087,837.50	9,582,837.50
08/01/2013	970,000.00	9,070,512.50	10,040,512.50
08/01/2014	1,055,000.00	9,041,412.50	10,096,412.50
08/01/2015	1,040,000.00	9,008,443.76	10,048,443.76
08/01/2016	1,180,000.00	8,966,843.76	10,146,843.76
08/01/2017	1,180,000.00	8,919,643.76	10,099,643.76
08/01/2018	1,175,000.00	8,872,443.76	10,047,443.76
08/01/2019	715,000.00	8,807,818.76	9,522,818.76
08/01/2020	225,000.00	8,770,281.26	8,995,281.26
08/01/2021	-	8,761,281.26	8,761,281.26
08/01/2022	-	8,761,281.26	8,761,281.26
08/01/2023	-	8,761,281.26	8,761,281.26
08/01/2024	-	8,761,281.26	8,761,281.26
08/01/2025	-	8,761,281.26	8,761,281.26
08/01/2026	-	8,761,281.26	8,761,281.26
08/01/2027	-	8,761,281.26	8,761,281.26
08/01/2028	-	8,761,281.26	8,761,281.26
08/01/2029	-	8,761,281.26	8,761,281.26
08/01/2030	5,695,000.00	8,761,281.26	14,456,281.26
08/01/2031	5,980,000.00	8,476,531.26	14,456,531.26
08/01/2032	6,280,000.00	8,177,531.26	14,457,531.26
08/01/2033	6,595,000.00	7,863,531.26	14,458,531.26
08/01/2034	6,925,000.00	7,533,781.26	14,458,781.26
08/01/2035	7,270,000.00	7,187,531.26	14,457,531.26
08/01/2036	7,635,000.00	6,824,031.26	14,459,031.26
08/01/2037	8,015,000.00	6,442,281.26	14,457,281.26
08/01/2038	8,415,000.00	6,041,531.26	14,456,531.26
08/01/2039	8,835,000.00	5,620,781.26	14,455,781.26
08/01/2040	9,330,000.00	5,123,812.50	14,453,812.50
08/01/2041	9,855,000.00	4,599,000.00	14,454,000.00
08/01/2042	10,410,000.00	4,044,656.26	14,454,656.26
08/01/2043	10,995,000.00	3,459,093.76	14,454,093.76
08/01/2044	11,610,000.00	2,840,625.00	14,450,625.00
08/01/2045	12,260,000.00	2,187,562.50	14,447,562.50
08/01/2046	12,950,000.00	1,497,937.50	14,447,937.50
08/01/2047	13,680,000.00	769,500.00	14,449,500.00
Total	**$180,000,000.00**	**$287,582,178.33**	**$467,582,178.33**

(1) Interest payments on the Series 2008A Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2008.

Application of Proceeds of Series 2008A Bonds

Building Fund. A portion of the proceeds from the sale of the Series 2008A Bonds will be deposited into an account established under the Resolution and known as the "Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2008A Building Fund" (the "Building Fund"). Amounts on deposit in the Building Fund, and interest thereon, will be kept separate and apart from other District funds and used solely for the purposes for which the Series 2008A Bonds are being issued and, if necessary, for the payment of permissible costs of issuance.

Debt Service Fund. Any net premium received by the District from the sale of the Series 2008A Bonds (which is not used to pay costs of issuance), as well as *ad valorem* taxes collected by the County in accordance with the laws of the State of California and the Resolution, will be deposited and kept separate and apart in the Debt Service Fund. See also, "TAX BASE FOR REPAYMENT OF THE BONDS" herein. The amounts on deposit in the Debt Service Fund and, to the extent not required to satisfy rebate obligations of the District pursuant to the Resolution and Section 148 of the Internal Revenue Code of 1986, as amended, the interest thereon will be used only for payment of principal of and interest on the Series 2008A Bonds when due. If, after payment in full of all outstanding Series 2008A Bonds, there remain any moneys on deposit in the Debt Service Fund, such amounts will be transferred to the General Fund of the District to be applied in accordance with applicable law.

Rebate Fund. The Internal Revenue Code of 1986, as amended and the Treasury Regulations promulgated thereunder (the "Code") includes provisions that relate to tax-exempt obligations, such as the Series 2008A Bonds, including, among other things, permitted uses and investment of the proceeds of the Series 2008A Bonds and the rebate of certain net arbitrage earnings from the investment of such proceeds to the United States Treasury in accordance with the provisions of Section 148 of the Code. The District has agreed to establish and create the "Sweetwater Union High School District General Obligations Bonds, Series A, Rebate Fund ("Rebate Fund") when and if necessary to comply with the provisions of Section 148 of the Code. If the Rebate Fund is created, the District will deposit funds, to be kept separate and distinct from all other District funds, in amounts sufficient to satisfy any rebate payments applicable to the Series 2008A Bonds. Payments from the Rebate Fund will be made in accordance with the requisite provisions of the Code. Amounts on deposit in the Rebate Fund will be invested in compliance with the limitations of the Code.

Authorized Investments. Pursuant to the Resolution, "Authorized Investments" means the San Diego County Investment Pool (or other investment pools of the County into which the District may lawfully invest its funds), the Local Agency Investment Fund ("LAIF"), any investment authorized pursuant to Sections 16429.1, 53601 of the California Government Code, or shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code, or guaranteed investment contracts, float contracts or other investment products (provided that such investments comply with the requirements of applicable State law and with Section 148 of the Code and with the requirements of the Bond Insurer, if any.

In accordance with Education Code Section 41001, school districts in the State maintain substantially all operating funds in the treasuries of the counties within which they are located. Each county, including the County, is required to invest such funds in accordance with Government Code Sections 53601 and 53635 and in accordance with its own investment policies. See "SAN DIEGO COUNTY INVESTMENT POOL" below.

SAN DIEGO COUNTY INVESTMENT POOL

This section provides a general description of the County's Investment Policy, current portfolio holdings, and valuation procedures. The information has been prepared by the County Treasurer (the "Treasurer") for inclusion in this Official Statement. Neither the District nor the Underwriters make any representation as to the accuracy or completeness of such information. Further information may be obtained from the Office of the Treasurer, County Administration Center, 1600 Pacific Highway, Room 112, San Diego, California 92101-2479.

General

Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors of the County delegated to the Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County (and the various departments in the County, such as Public Works and Public Administration), funds of certain local agencies within the County, including school districts in the County such as the District, are required under state law to be deposited into the County Treasury ("Involuntary Depositors"). In addition, certain agencies, including community college districts, invest certain of their funds in the County Treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "County Investment Pool" or the "Pool"). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee as required by State law. The members of the Oversight Committee include the Treasurer, the Chief Financial Officer, members of the public, and a representative from a special district and a school district. The role of the Oversight Committee is to review and monitor the Investment Policy that is prepared by the Treasurer.

The County Investment Pool's Portfolio

As of January 31, 2008, the securities in the County Investment Pool had a market value of $4,715,858,380 and a book value of $4,670,192,277, for a net unrealized gain of $45,666,103 of the book value of the County Investment Pool.

The effective duration for the County Investment Pool was 0.620 years as of January 31, 2008. "Duration" is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 0.620 means that for every one percent increase in interest rates the market value of the portfolio would increase by 0.620%.

As of January 31, 2008, approximately 1.91% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 8.74% by Community Colleges, 41.50% by the County and 47.85% by K-12 School Districts.

Standard & Poor's Ratings Group maintains ratings on the Pool's ability to meet its financial commitments of "AAAf" (strong protection against credit defaults) and "S1" (low sensitivity to changing market conditions). The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Standard & Poor's Rating Services, a Division of McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041.

Investments of the County Investment Pool

Authorized Investments. Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (collateralized, FDIC-insured and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities. Generally, investments in repurchase agreements cannot exceed a term of one year and the security underlying the agreement will be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement will be adjusted no less than quarterly. In addition, reverse repurchase agreements generally may not exceed 20% of the base value of the portfolio and the term of an agreement may not exceed 92 days. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base Value is defined as the total cash balance excluding any amounts borrowed (*i.e.*, amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. Therefore, there can be no assurances that the current of future investments in the County Investment Pool will not vary significantly from the investments described herein.

The Investment Policy. The County's Investment Policy (the "Investment Policy") (which may be modified, amended, or otherwise changed at any time at the sole discretion of the Treasurer) currently states the primary goals of the Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the Treasurer's control, the secondary objective is to meet the liquidity needs of the Depositors, and the third objective is to achieve a return on the funds under the control of the Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements to 20% of the total investments in the Pool. The Investment Policy states that the purpose of reverse repurchase agreements is to supplement the yield on securities owned by the Pool or to provide funds for the immediate payment of an obligation and that the maturity of the reverse repurchase agreement and the maturity of the security purchased be the same.

The Investment Policy also authorizes investments in covered call options or put options, which are options on the part of a third party to buy from the Pool a specified security within a finite time at a specified price. Under the Investment Policy, securities subject to covered calls are not to be used for reverse repurchase agreements, cash sufficient to pay for outstanding puts are to be invested in securities maturing on or before the expiration date of the option, the maximum maturity of a covered call option/put option is to be 90 days and not more than 10% of the total investments in the Pool could have options (in contrast to "derivatives") written against them at any one time.

The County from time to time has engaged in securities lending transactions. Generally, these transactions involve the transfer by the governmental entity, through an agent, of securities to certain broker-dealers and financial institutions or other entities in exchange for collateral, and this collateral may be cash or securities. Most commonly, these transactions provide for the return of the collateral to the securities borrower upon receipt of the same securities at a later date. Presently, the County has suspended its securities lending transactions program, but may decide to enter into a securities lending agreement with another custodian in the future. Any such securities lending transactions are considered reverse repurchase agreements under the Investment Policy and, accordingly, the total principal amount of reverse repurchase agreements and securities lending agreements may not exceed 20% of the Pool. Since the inception of the County's securities lending program in 1987, there has not been any loss of principal to the Pool resulting from these securities lending transactions or the investment of the related collateral.

Certain Information Relating to the Pool

The following table reflects information with respect to the Pool as of the close of business January 31, 2008. As described above, a wide range of investments is authorized by State law. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on January 31, 2008, the Pool necessarily would have received the values specified. General information and portfolio statistics on the County Investment Pool can be found at http://www.sdtreastax.com/mcf_generalinfo.html.

COUNTY OF SAN DIEGO POOLED MONEY FUND
AS OF JANUARY 31, 2008

	Percent of Portfolio	Book Value	Market Price	Accrued Interest	Market Value	Net Unrealized Gain/(Loss)	Yield To Maturity	Weighted Average Days To Maturity
U.S. Treasury Notes	7.34%	$ 333,234,594	103.70%	$ 3,682,911	$ 346,350,190	$13,115,596	4.50%	791
FNMA Discount Notes	2.62	123,034,944	98.99	0	123,737,500	702,556	4.02	146
Federal Farm Credit Discount Notes	2.11	98,832,000	99.32	0	99,320,000	488,000	4.50	97
Federal Farm Credit Bank Notes	1.09	49,696,699	103.18	729,035	51,592,000	1,895,301	4.62	726
Federal Home Loan Bank Discount Notes	9.13	429,477,306	99.70	0	430,398,184	920,878	4.58	43
Federal Home Loan Bank Notes	16.19	750,989,196	101.98	8,567,674	763,603,432	12,614,236	4.58	956
Federal Home Loan Mortg. Corp.Disc Notes	4.88	229,037,122	99.28	0	230,086,232	1,049,109	4.36	103
Federal Home Loan Mortg. Corp. Notes	11.25	521,675,277	101.61	7,021,059	529,663,413	7,988,136	4.82	952
Fannie Mae	7.74	362,714,536	100.73	4,470,607	364,980,551	2,266,015	4.37	302
Corporate Medium Term Notes	1.91	89,081,136	100.23	1,079,058	90,209,000	1,127,864	5.41	263
Asset Backed Notes	1.00	46,273,705	101.80	379,449	47,336,300	1,062,595	5.37	403
Bond Fund	.74	35,000,000	100.00	34,565	35,000,000	0	4.14	1
Money Market Funds	.28	13,320,000	100.00	188,169	13,320,000	0	4.14	1
Repurchase Agreements	6.43	303,434,179	100.00	26,611	303,434,179	0	3.16	1
Negotiable Certificates Of Deposit	6.62	309,999,220	100.67	9,688,175	312,070,500	2,071,280	5.35	107
Commercial Paper	18.87	889,487,863	99.87	0	889,852,400	364,537	4.09	15
Collateralized Certificates of Deposit	1.80	84,904,500	100.00	138,375	84,904,499	0	4.03	237
Totals for January, 2008	100.00%	$4,670,192,277	100.79%	$36,005,688	$4,715,858,380	$45,666,103	4.43%	386
Totals for December, 2007	100.00%	$5,290,482,930	100.16%	$34,790,008	$5,311,228,486	$20,745,555	4.60%	291
Change From Prior Month		($602,290,653)	0.63%	$1,215,680	($595,370,106)	$24,920,548	-0.17	95
Portfolio Effective Duration	0.620 years							

	January Return	Annualized	Fiscal Year To Date Return	Annualized	Calendar Year To Date Return	Annualized
Book Value	0.389%	4.577%	2.984%	5.065%	0.389%	4.577%
Market Value	0.925%	10.894%	4.617%	7.838%	0.925%	10.894%

Source: County of San Diego, Treasurer-Tax Collector.

BOND INSURANCE

The following information has been furnished by Financial Security Assurance Inc. ("Financial Security") for use with this Official Statement. No representation is made by the District or the Underwriters, or any other party, as to the accuracy or completeness of such information, and no obligation is incurred by such parties to update said information in the event of any material adverse changes therein.

Bond Insurance Policy

Concurrently with the issuance of the Series 2008A Bonds, Financial Security will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2008A Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 2008A Bonds when due as set forth in the form of the Policy included as ATTACHMENT E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately $2,691,965,000 and its total net unearned premium reserve was approximately $2,201,808,000 in accordance with statutory accounting principles. At September 30, 2007, Financial Security's consolidated shareholder's equity was approximately $2,975,654,000 and its total net unearned premium reserve was approximately $1,721,678,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2006 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Series 2008A Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2008A Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2008A Bonds or the advisability of investing in the Series 2008A Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Series 2008A Bonds are payable solely from ad valorem taxes levied and collected by the County.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). 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 secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation 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, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following tables reflect assessed valuations in the geographical area covered by the District, generally, by jurisdiction and by land use.

SWEETWATER UNION HIGH SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS
FISCAL YEARS 2003-04 THROUGH 2007-08

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Rdv. Increment
2003-04	$21,031,061,607	$274,819,306	$ 709,398,904	$22,015,279,928
2004-05	24,139,573,918	276,530,868	704,834,150	25,120,938,936
2005-06	28,694,607,130	159,673,592	768,467,520	29,622,748,242
2006-07	32,844,613,230	168,396,042	1,042,430,416	34,055,439,688
2007-08	36,940,574,592	164,471,818	1,028,521,571	38,133,567,981

Source: California Municipal Statistics, Inc.

SWEETWATER UNION HIGH SCHOOL DISTRICT
2007-08 ASSESSED VALUATION BY JURISDICTION[1]

Jurisdiction	Assessed Valuation within District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction within District
City of Chula Vista	$ 24,358,502,560	63.88%	$ 24,358,502,560	100.00%
City of Coronado	459,761	0.00	5,571,343,649	0.01
City of Imperial Beach	1,506,851,509	3.95	1,506,851,509	100.00
City of National City	2,925,833,758	7.67	2,925,833,758	100.00
City of San Diego	7,287,422,901	19.11	172,990,395,708	4.21
Unincorporated San Diego County	2,054,497,492	5.39	59,420,196,841	3.46
Total San Diego County	$ 38,133,567,981	100.00%	$381,782,125,512	9.99

[1] Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

SWEETWATER UNION HIGH SCHOOL DISTRICT
2007-08 ASSESSED VALUATION AND PARCELS BY LAND USE

	Assessed Valuation [(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural/Open Space	$ 98,514,201	0.27%	1,229	1.22%
Commercial	3,701,701,410	10.02	2,553	2.54
Vacant Commercial	198,118,532	0.54	462	0.46
Industrial	2,152,747,962	5.83	1,218	1.21
Vacant Industrial	389,274,710	1.05	600	0.60
Recreational/Golf	115,765,865	0.31	108	0.11
Government/Social/Institutional	27,541,023	0.07	229	0.23
Subtotal Non-Residential	$6,683,663,703	18.09%	6,399	6.36%
Residential:				
Single Family Residence	$20,771,811,427	56.23%	65,963	65.58%
Condominium/Townhouse	4,700,148,185	12.72	17,466	17.37
Mobile Home	108,676,107	0.29	1,805	1.79
Mobile Home Park	130,537,521	0.35	96	0.10
2-4 Residential Units	729,829,174	1.98	2,799	2.78
5+ Residential Units/Apartments	2,365,029,537	6.40	1,160	1.15
Vacant Residential	1,450,878,938	3.93	4,890	4.86
Subtotal Residential	$30,256,910,889	81.91%	94,179	93.64%
Total	**$36,940,574,592**	**100.00%**	**100,578**	**100.00%**

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

The following table shows the 20 largest secured taxpayers within the District, as determined by the secured assessed valuation in fiscal year 2007-2008.

SWEETWATER UNION HIGH SCHOOL DISTRICT
2007-08 TWENTY LARGEST SECURED TAXPAYERS

	Property Owner	Primary Land Use	Assessed Valuation	% of Total [(1)]
1.	Village II of Otay LP	Residential Development	$ 260,463,886	0.71%
2.	Otay Ranch LLC	Residential Development	200,006,434	0.54
3.	Rohr Inc.	Industrial	179,334,085	0.49
4.	GGP-Otay Ranch LP	Shopping Center	153,405,098	0.42
5.	PCCP/SB Las Americas Owner LLC	Shopping Center	152,279,207	0.41
6.	Shea Homes LP	Residential Development	141,121,973	0.38
7.	Centermark Properties Inc.	Shopping Center	123,869,156	0.34
8.	EQR-Missions at Sunbow LLC	Apartments	87,063,013	0.24
9.	Rancho Mesa LP	Residential Development	83,827,271	0.23
10.	SV Portfolio LP	Industrial	76,910,000	0.21
11.	Wal-Mart Real Estate Business Trust	Commercial Stores	75,126,351	0.20
12.	Corrections Corp. of America	Correctional Facilities	73,726,327	0.20
13.	SSR Realty Advisors/CALSTRS	Apartments	73,264,985	0.20
14.	CV Center Inc.	Shopping Center	68,536,516	0.19
15.	Casoleil LP	Apartments	61,581,899	0.17
16.	BRE Properties Inc.	Apartments	60,580,426	0.16
17.	Camden USA Inc.	Apartments	60,312,093	0.16
18.	Gateway Chula Vista LLC	Commercial Store	53,818,446	0.15
19.	Winding Walk Residential LLC	Residential Development	51,900,000	0.14
20.	Plaza Bonita LLC	Shopping Center	42,218,468	0.11
			$2,079,345,634	5.63%

[(1)] 2007-08 Local Secured Assessed Valuation: $36,940,574,592
Source: California Municipal Statistics, Inc.

Alternative Method of Apportionment - The Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sales Proceeds, as provided for under the California Revenue and Taxation Code, commencing with Section 4701 (commonly referred to as the "Teeter Plan"). Under the Teeter Plan, public agencies in the County receive their total secured tax levies and special assessments irrespective of actual collections and delinquencies. Pursuant to said provisions, the county establishes a delinquency reserve and assumes responsibility for all secured delinquencies.

Because of this method of tax collection, the District is allocated 100% collection of its total *ad valorem* tax irrespective of actual delinquencies. This method of tax collection and distribution is, however, subject to future discontinuance by the County or, if demanded by petition. If the Teeter Plan is discontinued, secured property taxes would thereafter be allocated to political subdivisions, including the District, on an "as collected" basis.

Tax Rates

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

The following table sets forth *ad valorem* tax rates levied by all taxing entities within a representative tax rate area within the District, Tax Rate Area 1245, for fiscal years 2003-04 through 2007-08:

	2003-04	2004-05	2005-06	2006-07	2007-08
General Tax Rate	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Southwestern Community College District	.00727	.01301	.01505	.01405	.01253
Chula Vista Elementary School District	.02723	.02811	.02738	.02662	.02029
Sweetwater Union High School District	.01956	.01818	.02252	.02016	.04711
Otay Water District	.01400	.01200	.01000	.00700	.00600
Metropolitan Water District	.00610	.00580	.00520	.00470	.00450
San Diego County Water Authority	.00067	-	-	-	-
Total Tax Rate	1.07483%	1.07710%	1.08015%	1.07253%	1.09043%

Source: California Municipal Statistics, Inc.

Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service on certain local debt, including bonded indebtedness incurred by a school district, such as the District, for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, including debt approved by 55% or more of the votes under the provisions of Proposition 39. The levy required for the repayment of the Series 2008A Bonds is similarly exempt from the 1% tax limitation. However, the tax rate levied as the result of any single election, such as the Authorization, can be no more than $60 for a unified school district, $30 for a high school or elementary school district. For further information regarding Proposition 39, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 39" herein. Furthermore, pursuant to certain applicable requirements of the California

Education Code, the total outstanding general obligation debt of the District may not exceed 1.25 percent of the assessed value of taxable property within the District, calculated pursuant to a formula therein set forth. The tax rate projected to be levied in connection with the Series 2008A Bonds is within the legal limit. In addition, after the issuance of the Series 2008A Bonds, the outstanding aggregate amount of general obligation bonds of the District will not exceed the currently applicable statutory 1.25 percent debt limitation.

SWEETWATER UNION HIGH SCHOOL DISTRICT

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting the District.

District Organization and Administration

The Sweetwater Union High School District was established in 1920 and is located in the southern portion of San Diego County. The District covers approximately 150 square miles, and provides secondary education, grades 7-12, and adult education. As of Fiscal Year 2007-08, the District serves over 42,500 students in grades 7-12 and over 21,600 adult learners in the communities of Bonita, Chula Vista, Eastlake, Imperial Beach, National City, Otay Mesa, South San Diego and San Ysidro. The District is the largest secondary school system in the State and currently operates 10 middle schools, one junior high school, 13 senior high schools, one continuation high school, four adult schools, and an alternative program for grades 7-12. Educational opportunities for adults are available through the District's adult education programs at four schools. The District's newest high school is Olympic High School, also known as High School No. 13, and is located in Village Seven of Otay Ranch within the city of Chula Vista. The District's estimated average daily attendance for Fiscal Year 2007-08 is 39,000 and taxable property within the District has a Fiscal Year 2007-08 assessed valuation of $38,133,567,981.

The District is governed by a Board of Trustees (the "Board"). The Board consists of five members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board Members or by a special election. The years in which the current terms for each member of the Board expire are set forth below:

BOARD OF TRUSTEES

Name	Office	Current Term Expires (December)
Pearl Quiñones	President	2008
Jaime Mercado	Vice-President	2008
Jim Cartmill	Member	2010
Arlie N. Ricasa	Member	2010
Greg R. Sandoval	Member	2010

The Superintendent of the District, Jesus M. Gandara, Ph.D, is responsible for the administration of the affairs of the District. Other senior administrators include, Dianne Russo, Chief Financial Officer, and Karl Bradley, Assistant Superintendent of Facilities and Operations.

Jesus M. Gandara, Superintendent. Superintendent Gandara has been with the District since 2006. Prior to joining the District, Dr. Gandara worked as a school district superintendent in Texas for more than a decade. He has a total of 28 years of education experience. Dr. Gandara earned a Bachelor of Arts in Education from Western New Mexico University, a Master of Educational Administration from Sul Ross State University, and his Doctorate in Educational Administration from the University of Texas at Austin.

Dianne Russo, Chief Financial Officer. Ms. Russo joined the District in 1987. Prior to joining the District Ms. Russo worked as Assistant Business Manager of the Brown Deer School District in Brown Deer, Wisconsin. Ms. Russo received her Bachelor of Science from Cardinal Stritch College in Milwaukee, Wisconsin.

Karl Bradley, Assistant Superintendent of Facilities and Operations. Mr. Bradley joined the District in 2007. Prior to joining the District, Mr. Bradley worked as Chief Facilities Officer for Vista Unified School District. Mr. Bradley received his Bachelor of Arts, Public Administration from San Diego State University in 1994.

District Employees

The District currently employs 2,561 certificated and 1,771 classified employees. The table below sets forth historical employee information for the District for the last five fiscal years.

DISTRICT EMPLOYEES

Fiscal Year	Certificated	Classified	Total
2003-04	2,253	1,566	3,819
2004-05	2,031	1,586	3,887
2005-06	2,383	1,611	3,994
2006-07	2,405	1,673	4,078
2007-08	2,561	1,771	4,332

Collective Bargaining Agreements. District employees are represented by 3 labor associations. Currently, 99% of all District employees are covered by negotiation agreements, as follows:

Bargaining Unit	Agent	Expiration Date
Certificated employees	California Teachers Ass'n/National Education Association	June 30, 2008
Classified employees	California School Employees Association	June 30, 2008
Supervisors	National Association of Government Employees	June 30, 2009

Student Enrollment

Most school districts in the State receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the State to school districts. Like other school districts, one major revenue source for the District is its State of California funds entitlement, which is based upon student attendance. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" below.

About 58% of the District's 2007-08 general fund revenue budget is derived from anticipated State funds determined by student attendance. The table below sets forth the enrollment for Average Daily Attendance ("ADA") for the District for the Fiscal Years ending June 30, 2004 through 2008.

SWEETWATER UNION HIGH SCHOOL DISTRICT
ENROLLMENT AND AVERAGE DAILY ATTENDANCE
Fiscal Years 2003-04 through 2007-08

Fiscal Year	Enrollment	ADA	ADA Change From Prior Year	Base Revenue Limit
2003-04	39,228	36,309	2.91%	$5,527
2004-05	40,888	37,949	4.32	5,691
2005-06	41,865	38,620	1.73	5,934
2006-07	42,101	38,891	0.07	6,369
2007-08	42,520	39,000	1.09	6,659

Source: The District.

DISTRICT FINANCIAL INFORMATION

Budgetary Process

State law requires the District to maintain a balanced budget in each fiscal year, which means that the sum of expenditures for a given year can not exceed the revenues for that fiscal year plus the carryover balance from the previous fiscal year. The Board is committed to sound fiscal management and practices. The Board typically adopts a proposed budget prior to June 30 and adopts budget revisions on or prior to October 31 and January 31 of each Fiscal Year. The revised budgets take into account the adoption of the State budget, revenue limit and State apportionment amounts.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections. The District currently holds a positive certification from the San Diego County Office of Education for its budget submissions.

The following table shows the District's adopted General Fund budget for the 2007-08 Fiscal Year.

SWEETWATER UNION HIGH SCHOOL DISTRICT
GENERAL FUND - 2007-08 ADOPTED BUDGET

	Adopted Budget
REVENUES	
Revenue Limit Sources	$ 260,788,071
Federal Revenues	18,435,173
Lottery	5,780,100
Other State Revenues	29,051,275
Other Local Revenues	27,969,999
TOTAL REVENUES	**342,024,618**
EXPENDITURES	
Certificated Employees	172,915,075
Classified Employees	59,230,545
Employee Benefits	54,474,316
Books and Supplies	24,964,524
Contracted Services	23,480,216
Capitalized Expenditures	650,000
Other	6,485,511
TOTAL EXPENDITURES	**342,200,187**
NET INCREASE/DECREASE FUND BALANCE	(175,569)
ENDING FUND BALANCE	40,167,662

Source: The District.

District General Fund – Revenue Sources

The District categorizes its General Fund revenues into four sources: (i) revenue limit sources (consisting of a mix of State and local revenues); (ii) federal sources; (iii) other State sources; and (iv) other local sources, each is further discussed below.

Revenue limit sources. In general, base revenue limits are calculated for each school district by multiplying (i) its ADA by (ii) a base revenue limit per unit of ADA. Such calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all State school districts of the same type. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" below. The District's base revenue limit per student for Fiscal Year 2007-08 is $6,659.

Federal sources. The federal government provides funding for several District programs, including but not limited to special education programs and other specialized programs. The federal revenues, most of which are restricted, are budgeted to equal approximately 5.3 percent of the District's General Fund revenues in Fiscal Year 2007-08.

Other State sources. In addition to apportionment revenues, the District receives substantial State revenues from other State sources, including State Lottery (as defined below) revenues. The District's 2007-08 budget assumes that revenues from other State sources will be approximately 8.4 percent of its total General Fund Revenues. The funds from other State sources are primarily restricted.

In the November 1984 general election, the voters of the State approved a Constitutional amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which will be used to supplement other moneys allocated to public education.

The legislation further requires that the funds will be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2006-07, the District received $6,961,845 in State Lottery aid and has budgeted $5,780,100 for such aid in 2007-08. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Other local sources. In addition to property taxes, the District receives revenues from items such as the leasing of property owned by the District and interest earnings. These revenues are budgeted at 8.5 percent of the total General Fund revenues for Fiscal Year 2007-08.

Developer Fees. The District receives statutory school fees, collected pursuant to Education Code Section 17620 and Government Code provisions, commencing with Section 65995. Pursuant to provisions of the Government Code, commencing with Section 66000, the District makes available an annual report of statutory school fees and mitigation payments collected during each fiscal year. Current developer fees are $2.84 per square foot of assessable space for new residential housing (except within the boundaries of the San Ysidro School District wherein $2.00 per square foot of assessable space is collected) and $0.23 per square foot for new commercial or industrial development (except within the boundaries of the San Ysidro School District wherein $0.16 per square foot is collected). Developer fees are restricted funds. The following table shows developer fees received by the District for Fiscal Years 2003-04 to 2007-08.

Fiscal Year	Developer Fees Collected
2003-04	$1,820,573
2004-05	1,300,601
2005-06	1,478,214
2006-07	954,677
2007-08*	850,000

*Projected
Source: The District.

Financial Statements of the District

The District's accounting policies conform to generally accepted accounting principles and reporting standards set forth by the State Controller in the California School Accounting Manual. The audited financial statements also conform to the principles and standards for public financial reporting established by the Governmental Accounting Standards Board. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Selected information from the District's audited financial statements for the 2006-07 fiscal year is attached hereto as APPENDIX B. The District has not requested its auditor to provide any review of the financial statements in connection with their inclusion in this Official Statement. The following table shows the Statement of Revenues, Expenditures and Changes in Fund Balance of the District's General Fund for the Fiscal Years Ending June 30, 2005, June 30, 2006, and June 30, 2007.

SWEETWATER UNION HIGH SCHOOL DISTRICT GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30

	2004-05	2005-06	2006-07
REVENUES			
Revenue limit sources	$219,915,953	$234,911,051	$255,616,908
Federal Revenues	20,280,766	24,337,084	24,162,665
Other State Revenues	38,240,652	36,265,676	65,617,127(1)
Other Local Revenues	30,054,356	26,854,751	32,033,491
TOTAL REVENUES	**308,491,727**	**322,368,562**	**377,430,191**
EXPENDITURES			
Current			
Instruction	169,747,967	179,641,608	202,568,049
Instruction-Related Services			
Supervision of Instruction	8,928,918	11,016,009	15,013,954
Instructional library, media and tech	3,548,783	4,057,491	5,105,854
School site administration	29,090,004	27,149,272	30,169,827
Pupil Services			
Home-to-school transportation	8,280,795	8,154,247	9,510,370
Food services	616	26,299	37,328
All other pupil services	19,464,918	20,623,763	24,093,876
General Administration			
Data processing	3,887,270	4,414,357	4,560,335
All other general administration	12,143,271	13,410,904	14,786,783
Plant Services	23,131,222	27,485,973	26,929,464
Facility acquisition and construction	480,305	1,201,882	217(2)
Ancillary Services	23,409,811	25,396,622	23,131,951
Community Services	299,530	347,295	352,491
Debt Service			
Principal	280,716	530,586	1,890,703
Interest	37,956	119,057	205,936
TOTAL EXPENDITURES	**302,732,082**	**323,575,365**	**358,357,138**
Excess (Deficiency) of Revenues Over Expenditures	5,759,645	(1,206,803)	19,073,053
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	450,000	8,468,458	--
Other sources	1,000,000		5,564,367
Operating Transfers Out	(4,596,425)	(4,522,603)	(5,018,943)
Other uses	(421,085)	(535,534)	(405,959)
NET FINANCING SOURCES (USES)	**(3,567,510)**	**3,410,321**	**139,465**
Net Change in Fund Balances	2,192,135	2,203,518	19,212,518(1)
Fund Balances at Beginning of Year	20,117,387	22,309,522	24,513,040
Fund Balances at End of Year	$22,309,522	$ 24,513,040	$ 43,725,558(1)

Source: The District.

(1) The large increase in Other State Revenues, Net Change in Fund Balances and Fund Balances at End of Year is due to one-time funds from the State received by the District late Fiscal Year2006-07. The funds are primarily restricted to specified projects.

(2) Facility acquisition and construction expenditures during FY2006-07 were paid from the Building Fund of the District and the County School Facilities Fund.

District Investments

State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Investment Pool. All money held in any of the funds or accounts established pursuant to the Resolution will be held in the County Investment Pool and disbursed in accordance with the Resolution. The composition and value of investments under management in the County Investment Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. For a further discussion of the County Investment Pool, see the caption "SAN DIEGO COUNTY INVESTMENT POOL" herein.

Retirement System

The District participates in the State of California Teachers Retirement System ("STRS") which provides retirement benefits to certificated personnel. The District contributed $13,717,115 to STRS for fiscal year 2005-06, $15,171,480 for fiscal year 2006-07 and estimates a contribution of $15,066,659 for fiscal year 2007-08. These amounts represent 100 percent of the District's required contributions for each such fiscal year.

The District also participates in the School Employer Pool State of California Public Employees' Retirement System ("CalPERS") which provides retirement benefits to classified personnel. The District contributed $5,089,238 to CalPERS in fiscal year 2005-06, $5,722,255 for fiscal year 2006-07 and estimates a contribution of $6,054,061 for fiscal year 2007-08. These amounts represent 100 percent of the District's required contributions for each such fiscal year.

Active plan member contribution rates are 7 percent and 8 percent of salary for CalPers and STRS respectively. Both CalPERS and STRS are operated on a statewide basis and, based on available information, STRS and CalPERS both have unfunded liabilities. CalPERS may issue certain pension obligation bonds to reach funded status. (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282). The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS) of the District will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of unfunded liabilities will be in the future or the amount of the contributions which the District may be required to make.

Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.* The pronouncement will require public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statements No. 34 and 35. GASB Statement No. 45 ("GASB 45") will be effective for the District for the fiscal year ending June 30, 2008.

The District provides post employment health care benefits to qualified eligible employees who retire from the District on or after attaining age 55 with at least 15 years of service to the District, and to their eligible dependents. As of June 30, 2007, the District provides retiree health benefits to approximately 291 eligible retirees. The District pays the medical premiums incurred by qualified retirees through age 65 and requires retirees to contribute to the cost of coverage based on the active employee contributions. Spouse and dependent coverage ceases upon death of the retiree. Expenditures for post-employment healthcare benefits are recognized as the premiums are paid. During the years ended June 30, 2006, and June 30, 2007, expenditures of $1,569,000 and $1,822,165, respectively, were recognized for post-employment healthcare benefits. The District has completed an actuarial study of its post-employment benefits dated July 1, 2006. Based on that study, the District's Annual Required Contribution, which under GASB 45 includes normal annual costs and an amortization of the District's unfunded actuarial accrued liability, is $6,797,483. The District is in the process of determining the impact the implementation of GASB 45 will have on the government-wide statement of net assets and activities.

District Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of December 31, 2007. The Debt Report is included for general information purposes only and excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The Debt Report generally includes long term obligations sold in the public credit markets by public entities whose boundaries overlap the District's service area. Such long term obligations are not payable from revenues of the District (except as indicted) nor are they necessarily secured by land within the District. In many cases, such obligations are payable from the general fund of the issuing agency. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

SWEETWATER UNION HIGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2007-08 Assessed Valuation:	$38,133,567,981
Redevelopment Incremental Valuation:	3,709,439,397
Adjusted Assessed Valuation:	$34,424,128,584

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/31/07
Metropolitan Water District	1.842%	$ 6,614,898
Otay Municipal Water District, Improvement District No. 27	100.	8,810,000
San Diego Community College District	0.003	15,404
Southwestern Community College District	85.694	74,089,816
Sweetwater Union High School District	**100.**	**176,614,415**[2]
Chula Vista City School District	100.	83,065,000
San Ysidro School District	100.	89,977,104
South Bay Union School District	100.	5,511,918
City of National City	100.	5,585,000
City of San Diego	4.417	360,869
San Diego Open Space Park District	4.417	596,295
Sweetwater Union High School District Community Facilities Districts	100.	200,780,000
Y/S School Facilities Financing Authority Chula Vista School Project	100.	7,125,000
City of Chula Vista Community Facilities Districts	100.	245,035,000
City of Chula Vista 1915 Act Bonds	100.	36,971,802
Other Cities 1915 Act Bonds	37.923-100.	20,953,906
TOTAL GROSS DIRECT & OVERLAPPING TAX AND ASSESSMENT DEBT		$962,106,427
Less: City of San Diego Open Space Park District self-supporting bonds		596,295
TOTAL NET DIRECT & OVERLAPPING TAX AND ASSESSMENT DEBT		$961,510,132

(Continued on next page)

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DIRECT AND OVERLAPPING GENERAL FUND DEBT:	% Applicable[1]	Debt 12/31/07
San Diego County General Fund Obligations	9.732%	$ 32,259,634
San Diego County Pension Obligations	9.732	128,560,977
San Diego County Superintendent of Schools Certificates of Participation	9.732	1,744,218
Otay Municipal Water District Certificates of Participation	73.352	47,924,529
Southwestern Community College District General Fund Obligations	85.694	1,516,784
Sweetwater Union High School District Certificates of Participation	**100.**	**16,865,000**
Chula Vista City School District Certificates of Participation	100.	131,565,000
San Ysidro School District Certificates of Participation	100.	32,925,000
South Bay Union School District Certificates of Participation	100.	1,480,000
City of Chula Vista Certificates of Participation	100.	136,270,000
City of Chula Vista Pension Obligations	100.	8,820,000
City of National City Certificates of Participation	100.	4,135,000
City of San Diego General Fund Obligations	4.417	20,923,550
San Miguel Consolidated Fire Protection District Certificates of Participation	0.381	32,823
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$565,022,515
Less: Otay Municipal Water District Certificates of Participation		47,924,529
Sweetwater Union High School District Qualified Zone Academic Bonds (self-supporting from annual deposits into investment account)		**625,000**
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$516,472,986
GROSS COMBINED TOTAL DEBT		$1,527,128,942[3]
NET COMBINED TOTAL DEBT		$1,477,983,118

(1) Based on 2006-07 ratios.
(2) Excludes general obligation bonds to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation:

DIRECT DEBT ($176,614,415) 0.46%

Total Gross Overlapping Tax and Assessment Debt........... 2.52%
Total Net Overlapping Tax and Assessment Debt.............. 2.52%

Ratios to Adjusted Assessed Valuation:

GROSS COMBINED DIRECT DEBT ($193,479,415) 0.56%

NET COMBINED DIRECT DEBT ($192,854,415) 0.56%

Gross Combined Total Debt.. 4.44%
Net Combined Total Debt 4.29%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $0

Source: California Municipal Statistics, Inc.

Prior District General Obligation Bonds. On November 7, 2000, the District received authorization from not less than two-thirds of the voters within the District to issue not to exceed $187,000,000 of general obligation bonds pursuant to a bond measure known as "Proposition BB". Three series of general obligation bonds (the "Proposition BB Bonds") were issued under that authorization and approximately $176,614,415 aggregate principal amount of such Proposition BB Bonds remain outstanding as of March 1, 2008. Principal and interest payments on the Proposition BB Bonds are being paid from *ad valorem* property taxes levied and collected by the County on taxable property within the District for that purpose.

The following table summarizes the debt service requirements for the Series 2008A Bonds and the outstanding Proposition BB Bonds:

Bond Year Ending August 1	Annual Debt Service Proposition BB Bonds	Annual Debt Service Series 2008A Bonds	Combined Annual Debt Service
2008	$ 8,641,913.76	$ 9,818,521.81	$ 18,460,435.57
2009	9,334,913.76	10,297,962.50	19,632,876.26
2010	10,008,432.50	10,708,212.50	20,716,645.00
2011	10,501,570.00	9,139,712.50	19,641,282.50
2012	11,006,090.00	9,582,837.50	20,588,927.50
2013	11,520,055.00	10,040,512.50	21,560,567.50
2014	12,047,065.00	10,096,412.50	22,143,477.50
2015	12,586,702.50	10,048,443.76	22,635,146.26
2016	13,134,946.26	10,146,843.76	23,281,790.02
2017	13,703,202.50	10,099,643.76	23,802,846.26
2018	14,289,127.50	10,047,443.76	24,336,571.26
2019	14,888,852.50	9,522,818.76	24,411,671.26
2020	15,509,690.00	8,995,281.26	24,504,971.26
2021	16,156,412.50	8,761,281.26	24,917,693.76
2022	16,635,093.76	8,761,281.26	25,396,375.02
2023	17,136,293.76	8,761,281.26	25,897,575.02
2024	17,642,331.26	8,761,281.26	26,403,612.52
2025	18,167,531.26	8,761,281.26	26,928,812.52
2026	18,701,218.76	8,761,281.26	27,462,500.02
2027	19,250,031.26	8,761,281.26	28,011,312.52
2028	19,820,612.50	8,761,281.26	28,581,893.76
2029	19,068,000.00	8,761,281.26	27,829,281.26
2030	--	14,456,281.26	14,456,281.26
2031	--	14,456,531.26	14,456,531.26
2032	--	14,457,531.26	14,457,531.26
2033	--	14,458,531.26	14,458,531.26
2034	--	14,458,781.26	14,458,781.26
2035	--	14,457,531.26	14,457,531.26
2036	--	14,459,031.26	14,459,031.26
2037	--	14,457,281.26	14,457,281.26
2038	--	14,456,531.26	14,456,531.26
2039	--	14,455,781.26	14,455,781.26
2040	--	14,453,812.50	14,453,812.50
2041	--	14,454,000.00	14,454,000.00
2042	--	14,454,656.26	14,454,656.26
2043	--	14,454,093.76	14,454,093.76
2044	--	14,450,625.00	14,450,625.00
2045	--	14,447,562.50	14,447,562.50
2046	--	14,447,937.50	14,447,937.50
2047		14,449,500.00	14,449,500.00
Total	**$319,750,086.34**	**$ 467,582,178.33**	**$ 787,332,264.67**

Certificates of Participation. The District, in cooperation with the Sweetwater Union High School District Financing Corporation ("Corporation"), has executed and delivered certain certificates of participation payable from lease payments to be made by the District under and pursuant to lease agreements between the District and the Corporation. The District's obligation to make lease payments is satisfied from dedicated funds or from the District's general fund, as needed.

Certificates of Participation	Original Issue Amount	Amount Outstanding (as of June 30, 2007)	Final Maturity
Series 1997	$ 5,185,000	$ 1,830,000	April 1, 2010
Series 2006 Refinancing	11,875,000	10,315,000	June 1, 2013

Mello-Roos Certificates of Participation and Special Tax Revenue Bonds. In addition to the foregoing, the District, in cooperation with the Corporation, has also executed and delivered certain certificates of participation payable from lease payments for which special taxes are pledged and certain special tax revenue bonds to which special tax revenues are pledged, as further described below (referred to herein as the "Mello Roos Parity Debt").

The District has established fourteen Community Facilities Districts ("CFDs") pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (the "Mello Roos Act"). The CFDs, numbered 1 through 6, 8, 9A, 9B and 10 through 14, were established to provide a source of funding for school facilities needed as a consequence of residential development projects in several specified areas of the District. The special taxes collected within each CFD were approved by a vote of the respective landowner electors, with each elector receiving one vote for each acre of land or portion thereof owned within the respective CFD. An affirmative 2/3 vote of the landowner electors was required to approve the levy of an annual special tax, the corresponding rate and method of apportionment of the special tax, the sale of a not-to-exceed principal amount of special tax revenue bonds, and the use of the special tax revenues or proceeds of the bonds on a specified list of authorized school facilities.

The annual special tax revenue collected from levies on developed real property within each CFD is pledged, on a parity basis, to make payments required to be made on outstanding Mello Roos Parity Debt, as provided in the applicable documents. The Mello Roos Parity Debt outstanding as of June 30, 2007, is as follows:

Mello-Roos Special Tax Bonds or Certificates of Participation	Original Issue Amount	Amount Outstanding (as of June 30, 2007)	Final Maturity September 1
Series 2001 Certificates	$ 42,875,000	$ 41,320,000	2025
Series 2002 Certificates	55,940,000	51,750,000	2027
Series 2003 Certificates	23,700,000	17,955,000	2015
Series 2005 Refinancing Certificates	18,330,000	17,505,000	2022
Series 2005 A Bonds	66,385,000	63,745,000	2029
Series 2005 B Bonds	15,180,000	14,400,000	2029

The Mello-Roos Parity Debt does not constitute a general fund obligation of the District. The annual lease payments associated with each series of such certificates of participation, and principal and interest on such bonds, are being fully paid by a pledge of special tax revenues collected by the CFDs and pledged to such payments.

QZAB. On September 29, 2005, the District issued $5,000,000 in Qualified Zone Academy Bonds (QZAB") pursuant to Section 1397E of the Code (as defined below). The QZABs mature on

September 29, 2021. The QZABs were purchased by Bank of America, N.A. (the "Purchaser") pursuant to a certificate purchase agreement dated as of September 19, 2005, by and among the District, the Corporation and the Purchaser. The annual base rental payment made by the District from unrestricted General Fund revenues, in the amount of $312,500, is deposited into interest generating investments in accordance with the provisions of the Trust Agreement dated as of August 1, 2005, by and among the District, the Corporation and the Purchaser, and applicable law to produce sufficient income to repay the QZABs at maturity.

Other District Long Term Obligations. In addition to the foregoing, the District has certain other long-term obligations from time to time, such as capital and operating leases. The total amount due on the outstanding operating leases at this time is approximately $2,047,908. The total amount currently due for the outstanding capital leases is approximately $8,798,530. Approximately $2,235,240 are estimated to be due during the 2007-08 fiscal year in connection with the District's leases. Leases include leases for relocatable buildings, copiers, computers and other items under various agreements with terms of over one year. All such agreements contain provisions for termination upon specified notice to the lessor, but the District does not currently anticipate terminating any such agreements. Lease payments are made from the restricted funds or other general funds of the District. Estimated minimum lease payments for fiscal years 2008-09 to 2010-11 (ending June 30) are as follows:

Year Ended June 30	Lease Payments
2009	$ 2,135,240
2010	1,815,547
2011	1,074,747

State Funding of Education

The Governor of the State is required by the State Constitution to propose a budget to the State Legislature no later than January 10 of each year. A final budget must be adopted by a 2/3 vote of each house of the Legislature no later than June 15, but this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit (as described below) per unit of average daily attendance ("ADA"). Generally, such apportionments will amount to the difference between the District's revenue limit and the District's local property tax allocation. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (*i.e.*, unified, high school or elementary). State law also provides for State support of specific school-related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual

Principal Apportionment. Calculations are reviewed by the County Office of Education and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school district and notify the State Controller of the amount, who then distributes the State aid.

The calculation of the amount of State aid a school district is entitled to receive each year is a five step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit add-ons are calculated for each school district if such school district qualifies for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit each school district is entitled to for the current year. See "SWEETWATER UNION HIGH SCHOOL DISTRICT – Student Enrollment" for the District's ADA record.

State income tax, sales tax, and other receipts can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes.

California Teachers' Association v. Gould. During several years in the early 1990s, the State realized less tax receipts than it had previously budgeted, so that in each of those years public education received more in funding than its minimum entitlement under "Proposition 98," a constitutional amendment fully discussed below under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Proposition 98 and Proposition 111." The State legislature characterized the overfunded amounts as "loans" to be repaid from the Proposition 98 entitlement in future years. The aggregate amount of these loans is approximately $1.76 billion. The validity of the loan characterization and repayment mechanism were challenged by the California Teachers' Association ("CTA"), which sought to void the obligation to repay the loan amounts. On April 26, 1994, a Sacramento County superior court entered a judgment that K-14 districts are not obligated to repay the inter-year loans. The decision was appealed by the State, and pending such appeal the CTA and the State reached a settlement which became final on April 12, 1996. Pursuant to the settlement agreement, no new inter-year loans will be created; the existing loans are required to be repaid over an eight-year period, with K-14 schools contributing $825 million from funds allocated to education under Proposition 98, and the State contributing the balance of $938 million. The schools' contribution of $825 million will be counted toward the Proposition 98 guarantee in future years.

The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Series 2008A Bonds, and the District takes no responsibility for informing owners of the Series 2008A Bonds as to any such annual fluctuations.

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable. The references to internet websites contained in this section and this Official Statement are for reference and convenience only. The information within such websites is not incorporated herein by reference. The District takes no *responsibility as to the accuracy or completeness of the information therein, whether or not summarized herein, and has not independently verified such information.*

2007-08 State Budget. The 2007-08 Budget Act (the "2007-08 Budget") was signed by Governor Schwarzenegger on August 24, 2007, nearly two months after the Constitutional deadline for a final budget. The budget package authorizes total General Fund spending of $102.3 billion, essentially the same as revenues. Based on the 2007-08 Budget, it is anticipated that the state will again face operating shortfalls of more than $5 billion in 2008-09. The adopted 2007-08 Budget includes Proposition 98 funding for schools and community colleges (K-14) of approximately $57.1 billion, an increase of $2.1 billion, or about 3.8%, from the revised 2006-07 spending level. Of this amount, $50.8 billion is for K-12 schools, or $8,635 per pupil statewide, an increase of $417 or 5.1% over the previous year's revised budget. The budget assumes that Proposition 98 was fully funded in 2006-07, meaning that no "settle-up" amount has been budgeted for that year, and that 2007-08 spending starts at a lower base. Errors in this assumption could significantly change the State's funding obligation as the year progresses.

Legislative Analysis – 2007-08 State Budget. The Legislative Analyst's Office (the "LAO") has reviewed the 2007-08 Budget and in its report, dated August 31, 2007, confirms that the 2007-08 Budget expenditures do not exceed revenues. However, based on the 2007-08 Budget, the LAO believes that the State will face operating shortfalls of more than $5 billion in fiscal years 2008-09 and 2009-10 as a result of there being many "one-time" solutions included in the 2007-08 Budget.

Proposed 2008-2009 State Budget. In accordance with Article IV, Section 12 of the California Constitution, the Governor submitted his proposed 2008-09 State Budget to the Legislature on January 10, 2008. In the proposed budget, total funding for K-12 education is projected to be $68.5 billion in 2008-09. Of this amount, $65.1 billion is state, federal and local property tax funding accounted for in the State Budget. As a result of budget balancing reductions, the budget reflects an $865.1 million decrease from the revised 2007-08 total of $66 billion. The Proposition 98 guarantee for 2008-09 is projected as $59.7 billion, of which $43.6 billion would have been paid from the State's general fund. However, as part of the budget-balancing reductions, the Governor proposes to suspend the Proposition 98 guarantee and provide approximately $4 billion less than the guarantee would have required in 2008-09. K-12 Proposition 98 per-pupil expenditures in the Governor's proposed budget are $8,458 in 2008-09, down from $8,558 in 2007-08.

Legislative Analysis – 2008-09 Proposed State Budget. On February 20, 2008, the LAO released its analysis of the 2008-09 Governor's budget, concluding that the deteriorating state economy and higher program costs would result in a $1.6 billion reduction in the 2008-09 reserve assumed in the Governor's spending plan. The Governor's budget projects a year-end reserve of $2.7 billion, while the LAO forecasts a reserve of $1.1 billion. Weaker revenue growth is largely to blame for the lower forecast. The LAO criticized the plan to impose cuts of 10% on all General Fund programs, which approach, according to the LAO, fails to distinguish between critical state functions and ancillary services and is "fundamentally flawed." In addition, the LAO asserts that, by ignoring revenue options and imposing solutions on the expenditure side of the budget only, the Administration has limited its flexibility to craft a sound budget solution. The LAO also proposes that Proposition 98 appropriations be reduced only to the level of the minimum guarantee, calculated without cost-of-living increases and with certain targeted reductions.

Future State Budgets. Although the District does not anticipate any delays on its funding due to the delay in the adoption of the current budget, the events leading to the inability of the State Legislature to pass a budget in a timely fashion for several past fiscal years are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs previously borne by the State. Further State actions taken to address its budgetary difficulties could have the effect of reducing K-12 support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

Information about the State budget and State spending for education is regularly available at various State-maintained web Site. Text of the budget may be found at the web site of the Department of Finance, www.dof.ca.gov, under the heading "California Budget". An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. 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 web site of the State Treasurer, www.treasurer.ca.gov.

The District cannot predict the effect that the general economic conditions within the State and the State's budgetary problems may have in the future on the District budget or operations.

THE STATE HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE COUNTY, THE UNDERWRITERS OR THE OWNERS OF THE SERIES 2008A BONDS TO PROVIDE STATE BUDGET INFORMATION TO THE DISTRICT OR THE OWNERS OF THE SERIES 2008A BONDS. ALTHOUGH THEY BELIEVE THE STATE SOURCES OF INFORMATION ARE RELIABLE, NEITHER THE DISTRICT NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OF THE STATE BUDGET INFORMATION SET FORTH, REFERRED TO OR INCORPORATED BY REFERENCE HEREIN.

Court Decision on State Payments Pending Budget Adoption

Jarvis v. Connell. On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California), et al. (also referred to as *White v. Davis*) (referred to herein as "Connell"). The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do nor appropriate funds. Nevertheless, the State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, has indicated that state payments of such amounts would continue during a budget impasse.

The California Supreme Court granted the State Controller's petition for review on the substantive question of whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. On May 1, 2003, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by state law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

To the extent the Connell decision applies to state payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of some payments to the District while such required legislative action is delayed, unless the payments are self-executing authorizations, continuing appropriations or are subject to a federal mandate. State aid for many categorical programs are paid on a 10-month basis, from September to June, and, therefore, would be of no impact until September. News releases and other guidance as to what can and cannot be paid during a budget impasse have been posted at the web Site of the State Controller, *www.sco.ca.gov*.

Kindergarten-University Public Education Facilities Bond Acts of 2002, 2004 and 2006

Proposition 47. The Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 2002 ("Proposition 47") appeared on the November 5, 2002 ballot as Proposition 47 and was approved by the California voters. This measure authorized the sale and issuance of $13.05 billion in general obligation bonds for construction and renovation of K-12 school facilities ($11.4 billion) and higher education facilities ($1.65 billion). Proposition 47 included $6.35 billion for acquisition of land and new construction of K-12 school facilities. Of this amount, $2.9 billion was set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002. The balance of $3.45 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 50 percent of the costs for acquisition of land and new construction with local revenues. In addition, $100 million of the $3.45 billion would be available for charter school facilities. Proposition 47 makes available $3.3 billion for reconstruction or modernization of existing K-12 school facilities. Of this amount, $1.9 billion was set aside to fund backlog projects for which school districts submitted applications to the State on or prior to February 1, 2002 and the balance of $1.4 billion would be used to fund projects for which school districts submitted applications to the State after February 1, 2002. K-12 school districts will be required to pay 40 percent of the costs for reconstruction or modernization with local revenues. Proposition 47 provides a total of $1.7 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have a large number of pupils relative to the size of the school site. In addition, $50 million will be available to fund joint-use projects. Proposition 47 also includes $1.65 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems.

Proposition 47 represents the second largest general obligation bond measure for school construction and modernization approved by California voters in the last several years. Proposition 1A was previously approved in November 1998 and provided $6.7 billion of capital funding for schools.

The new buildings and infrastructure constructed by community colleges with the proceeds of Proposition 47 general obligation bonds were selected by the Governor and the Legislature, based upon applications from the college districts.

Proposition 55. The Kindergarten-University Public Education Facilities Bond Act of 2004 ("Proposition 55") appeared on the March 2, 2004 ballot as Proposition 55 and was approved by the California voters. This measure authorizes the sale and issuance of $12.3 billion in general obligation bonds for the construction and renovation of K-12 school facilities ($10 billion) and higher education facilities ($2.3 billion). Proposition 55 includes $5.26 billion for the acquisition of land and construction of new school buildings. A district would be required to pay for 50 percent of costs with local resources unless it qualifies for state hardship funding.

Proposition 55 makes $2.25 billion available for the reconstruction or modernization of existing school facilities. School Districts would be required to pay 40 percent of project costs from local resources. Proposition 55 directs a total of $2.44 billion to districts with schools which are considered critically overcrowded. These funds would go to schools that have a large number of pupils relative to the size of the school site. Proposition 55 also makes a total of $50 million available to fund joint-use projects. Proposition 55 includes $2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in these buildings for California's public higher education systems. The measure allocates $690 million to each University of California and California State University campus and $920 million to California community colleges. The Governor and the Legislature will select specific projects to be funded by the bond proceeds.

Proposition 1D. The Kindergarten-University Public Education Facilities Bond Act of 2006 ("Proposition 1D") appeared on the November 7, 2006 ballot as Proposition 1D and was approved by California voters. This measure authorizes the sale and issuance of $10.4 billion in general obligation bonds for construction and renovation of K-12 school facilities ($7.3 billion) and higher education facilities ($3.1 billion).

K-12 School Facilities. Proposition 1D makes available $3.3 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts will be required to pay for 40% of these costs with local revenues, unless qualified for hardship funding. Proposition 1D also includes $1.9 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts will be required to pay for 50% of such costs with local revenues, unless qualified for hardship funding. Proposition 1D directs a total of $1.0 billion to K-12 school districts which are considered severely overcrowded, specifically to schools that have large number of pupils relative to the size of the school site. $29 million will be available to fund joint-use projects.

Higher Education Facilities. Proposition 1D includes approximately $3.1 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems. The Governor and the Legislature will select the specific projects to be funded by the bond proceeds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Series 2008A Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. See "THE BONDS-Security" herein. The provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to cause taxes to be levied by the County for payment of the Series 2008A Bonds. The tax levied by the County for payment of the Series 2008A Bonds was approved by the District's voters in compliance with Article XIIIA, Article VIIIC and other applicable laws.

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA") Article XIIIA limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment approved by the voters on July 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Proposition 39" below discussing a further amendment to Article XIIIA. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value. The State Supreme Court upheld the validity of Article XIIIA, in general in the case of *Amador Valley Joint Union High School District vs. State Board of Equalization* (1978), 22 Cal.3rd 2008.

Article XIIIB of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale thereof is used exclusively to purchase or improve real property.

Proposition 98 and Proposition 111

General. On November 8, 1988, California voters approved "Proposition 98," a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990. Proposition 111, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIIIB).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the

Proposition 98 guarantee amount will be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth ("ADA") and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 88, Garamendi), further provides that K-14 education will receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and certain sections of the Education Code to allow an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent vote requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the one percent *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55 percent of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness will not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness will not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness will not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and. ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

The interpretation and application of Proposition 218 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.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate currently in effect, which is 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98, 46 and 39 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

LEGAL MATTERS

The legal opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Series 2008A Bonds, will be supplied to the original purchasers of the Series 2008A Bonds without charge. See APPENDIX A – Form of Bond Counsel Opinion. A copy of the legal opinion will be attached to the Series 2008A Bonds. Bond Counsel will receive compensation contingent upon the sale and delivery of the Series 2008A Bonds. Certain legal matters will be passed upon for the District by Garcia Calderón Ruíz LLP, San Diego, California, as Disclosure Counsel and District Counsel. Certain legal matters will be passed upon by Garcia Calderón Ruíz LLP as District Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP.

Tax Matters

In the opinion of Bowie, Arneson, Wiles & Giannone, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other things, compliance with certain covenants, interest on the Series 2008A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed form of the opinion of Bond Counsel is set forth in APPENDIX A and will be printed on the Series 2008A Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2008A Bonds. The District has covenanted to comply with certain restrictions designed to assure that the interest on the Series 2008A Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants. Failure to comply with these covenants may result in interest on the Series 2008A Bonds being included in federal gross income, possibly from the Date of Issuance. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken or not taken or events occurring or not occurring after the Date of Issuance of the Series 2008A Bonds may affect the tax status of interest on the Series 2008A Bonds.

Bond Counsel is further of the opinion that interest on the Series 2008A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that interest on the Series 2008A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions may be taken, under circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bowie, Arneson, Wiles & Giannone expresses no opinion as to any Series 2008A Bond or the interest thereon if any such change occurs or action is taken upon advice of other bond counsel.

Although Bond Counsel has rendered an opinion that interest on the Series 2008A Bonds is excluded from gross income for federal income tax purposes, Bond Counsel notes that the accrual or receipt of interest on the Series 2008A Bonds may otherwise affect the recipient’s federal or state tax liability. The nature or extent of those circumstances will depend upon the recipient’s particular tax status and other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Premium Bonds and Original Issue Discount. To the extent the issue price of any maturity of the Series 2008A Bonds is less than the amount to be paid at maturity of such Series 2008A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2008A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocated to each owner thereof, is treated as interest on the Series 2008A Bonds which is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2008A Bonds is the first price at which a substantial amount of such maturity of the Series 2008A 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 2008A Bonds accrues daily over the term to maturity of such Series 2008A 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 2008A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2008A Bonds. Owners of the Series 2008A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Series 2008A Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2008A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2008A Bonds is sold to the public.

The Series 2008A Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Taxation of Out of State Bonds

On November 5, 2007, the United States Supreme Court heard an appeal in the case of Kentucky v. Davis, in which a Kentucky state court had ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by Kentucky and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. California law is similar to Kentucky in taxing interest on out-of-state bonds. A ruling by the Supreme Court against the Kentucky law would not change the exemption from California personal income taxes of the interest on the 2008A Bonds, but the value of the 2008A Bonds may be adversely affected by changes in the demand for California-origin bonds. There can be no assurance as to the outcome of the Davis case, the potential impact on market price or marketability of the Series 2008A Bonds which may result from a decision, or the likelihood of any future action by Congress on this subject.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2008A Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Series 2008A Bonds might be affected as a result of any such audit (or by an audit of similar bonds).

Legality for Investment in California

Under provisions of the California Financial Code, the Series 2008A Bonds are legal investments for commercial banks in California to the extent that the Series 2008A Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

Absence of Material Litigation

The District will furnish a certificate at the time of the original delivery of the Series 2008A Bonds that (i) no litigation is pending concerning the validity of the Series 2008A Bonds; and (ii) the District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Series 2008A Bonds.

RATINGS

It is expected that Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") will assign their municipal bond ratings of "Aaa" and "AAA," respectively, to the Series 2008A Bonds with the understanding that simultaneously with the delivery of the Series 2008A Bonds an insurance policy will be issued by the Insurer with respect to the Bonds. In addition, Moody's and S&P have assigned ratings of "A2" and "A+," respectively, to the Series 2008A Bonds based upon their respective determinations of the ability of the District to pay, or cause to be paid, the debt service on the Series 2008A Bonds when due (without giving effect to any insurance policy on the Series 2008A Bonds). Generally, rating agencies base such ratings on such information, investigations, reports and materials, studies and assumptions obtained, prepared or made by the rating agencies themselves and such ratings reflect only the views of Moody's and S&P, respectively. An explanation of the significance of such ratings may be obtained by contacting the rating agencies as follows: Moody's at 99 Church Street, New York, New York 10007, tel. (212) 553-0300 and S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2008A Bonds.

The above ratings are not recommendations to buy, sell or hold the Series 2008A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Each of the rating agencies has recently issued press releases or reports stating that they are examining the potential effects of downturns in the market for structured finance ("SF") instruments, including collateralized debt obligations ("CDOs") and residential mortgage backed securities ("RMBS"), on the claims paying ability of the bond insurance companies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.

In a March 11, 2008 press release, Moody's Investors Service affirmed its Aaa rating of FSA, with a stable outlook. In a press release dated January 31, 2008, Standard & Poor's affirmed its AAA rating of FSA, with a stable rating outlook. In a January 24, 2008 press release, Fitch Ratings affirmed its AAA rating of FSA, with a stable rating outlook. There can be no assurance that the views expressed in those documents represent the current views of the rating agencies or that those views will not change in the future.

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UNDERWRITING

UBS Investment Bank and Alta Vista Financial, Inc. (collectively, the "Underwriters"), have agreed to purchase the Series 2008A Bonds at the purchase price of $180,010,409.10 (reflecting a par amount of $180,000,000, plus a net original issue premium in the amount of $3,746,193.85, less an Underwriters' discount of $954,740.00, less payment of certain costs of issuance in the amount of $2,781,044.75, which includes bond insurance premium of $2,384,669.11), at the rates and yields shown on the inside cover hereof.

The Underwriters may offer and sell the Series 2008A Bonds to certain dealers and others at yields other than the yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") in substantially the form set forth in APPENDIX C hereto, on or prior to the sale of the Series 2008A Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Series 2008A Bonds, to provide certain information as set forth therein. Pursuant to the Continuing Disclosure Certificate, the District has covenanted to provide certain financial information and operating data relating to the District by not later than 9 months following the end of the District's fiscal year (which currently ends on June 30), commencing no later than March 31, 2009, with the report for the 2007-08 fiscal year (the "Annual Report") to certain security information repositories (the "Repositories") described in the Continuing Disclosure Certificate. In addition, the District has agreed to provide notices of the occurrence of certain enumerated events, if material, in a timely manner to the Repositories or to the Municipal Securities Rulemaking Board. Instead of filing the Annual Report and notices of the occurrence of certain events directly with the Repositories, the District may file them with the Central Post Office, an Internet-based filing system currently located at www.DisclosureUSA.org, or any other similar filing system approved by the Securities and Exchange Commission. These covenants have been made in order to assist the Underwriter in complying with the Rule. The District has never failed to comply with any previous undertakings under said Rule.

OTHER INFORMATION

The information herein contained concerning the election documents and the Resolution represents brief outlines of the provisions therein. Copies of these documents are available through the Underwriters and, following delivery of the Series 2008A Bonds, will be on file with the Paying Agent.

Reference is also made herein to certain documents or information relating to the District, including District audited financials. Such references are also brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2008A Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Board on behalf of the District.

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: /S/ Jesus M. Gandara
Superintendent

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APPENDIX A
FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Sweetwater Union High School District, proposes to render their final approving opinion with respect to the Bonds in substantially the following form:

Board of Trustees of the
Sweetwater Union High School District
1130 5th Avenue
Chula Vista, CA 91911-2896

Re: $180,000,000 Sweetwater Union High School District
General Obligation Bonds, Election of 2006, Series 2008A
Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Sweetwater Union High School District ("District") in connection with the proceedings for the issuance and sale by the District of $180,000,000 principal amount of Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2008A ("Bonds"). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on January 28, 2008 (Resolution No. 3781) ("Bond Resolution"), as consented to by a resolution adopted by the County of San Diego ("County") on February 26, 2008, (County Resolution No. 08-025), and in accordance with the statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, the provisions of the California Constitution, and provisions of California Education Code Section 15266(b) and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100.

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

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. The opinions may be affected by actions or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events occur. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

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

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

1. The Bonds are valid and binding general obligations of the District.

2. All taxable property in the territory of the District is subject to ad valorem taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The County of San Diego is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences arising with respect to the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights 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,

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APPENDIX B

SELECTED INFORMATION FROM
SWEETWATER UNION HIGH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2007

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FINANCIAL SECTION

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Governing Board
Sweetwater Union High School District
Chula Vista, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sweetwater Union High School District (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2006-07*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sweetwater Union High School District, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 51, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2007

SWEETWATER
UNION HIGH SCHOOL DISTRICT
1130 Fifth Avenue
Chula Vista, CA 91911-2896

Fiscal Services
Dianne Russo
Chief Financial Officer

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This section of Sweetwater Union High School District's (the District) 2007 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Sweetwater Union High School District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including infrastructure) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

> The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Sweetwater Union High School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether *its financial health is* improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we present the District activities as follows:

Governmental activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

As with all Local Educational Agencies (LEAs) in the State of California, the District has been heavily impacted by the general economic conditions facing the State of California during the past several years. However, the District was able to fund a total of $2.25 million in budget priorities through a combination of savings (utilities and Xerox contract). In addition, there has been a significant decrease in the workers' compensation rate. The District continues to maintain an adequate reserve well above the State requirement.

- General Fund revenues were $377,430,191 more than expenses by $19,212,518. The majority of the increase was due to receipt of mandated cost reimbursements from prior years (approximately $14 million).
- The District's modernization effort continued with large "summer sprint" projects at most schools during the summers of both 2005 and 2006 in an effort to maximize State construction funding opportunities and use of District dollars during an escalating market for construction costs.
- The District was able to open a new high school - Olympian High School - with an enrollment of approximately 500 students. The school will add a new grade level in following years.
- Grades 7-12 ADA increased by 271 or .7% compared to the prior year. Adult Education ADA increased by 44 or .7% in an effort to reach but not exceed the District's "State imposed cap".
- The District borrowed $1 million to purchase buses and equipment.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $643.9 million and $606.0 million for the fiscal years ended June 30, 2007 and June 30, 2006, respectively. Of this amount, $23.5 million and $23.4 million were unrestricted at June 30, 2007 and June 30, 2006, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2007	2006 As Restated
Assets		
Current and other assets	$ 260.8	$ 341.0
Capital assets, net	636.2	535.5
Total Assets	**897.0**	**876.5**
Liabilities		
Current liabilities	34.5	51.0
Long-term obligations	218.6	219.5
Total Liabilities	**253.1**	**270.5**
Net Assets		
Invested in capital assets, net of related debt	573.4	518.3
Restricted	47.0	64.3
Unrestricted	23.5	23.4
Total Net Assets	**$ 643.9**	**$ 606.0**

The $23.5 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The decrease in current and other assets and the increase in capital assets are due to completion of modernization projects (Proposition BB).

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2007	2006 As Restated
Revenues		
Program revenues:		
Charges for services	$ 8.3	$ 6.2
Operating grants and contributions	109.1	86.2
Capital grants and contributions	15.3	144.5
General revenues:		
Federal and State aid not restricted	218.5	182.6
Property taxes	90.1	88.2
Other general revenues	17.2	20.9
Total Revenues	**458.5**	**528.6**
Expenses		
Instruction-related	274.4	241.7
Student support services	44.5	38.8
Administration	19.5	18.3
Plant services	34.0	33.8
Other	48.2	42.5
Total Expenses	**420.6**	**375.1**
Change in Net Assets	**$ 37.9**	**$ 153.5**

Governmental Activities

As reported in the Statement of Activities on page 14, the cost of all of our governmental activities this year was $420.6 million, and $375.1 million for the years ended June 30, 2007 and June 30, 2006, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was $90.1 million and $88.2 million. Charges for services were paid by those who benefited from the programs ($8.3 million and $6.2 million for the years ended June 30, 2007 and June 30, 2006, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions ($109.1 million and $86.2 million for the years ended June 30, 2007 and June 30, 2006, respectively). The District paid for the remaining "public benefit" portion of our governmental activities with $235.7 million and $203.5 million in State funds and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's seven largest functions - instructional services, instruction related activities, other pupil services, administration, plant services, ancillary services, and other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2007	2006 As Restated	2007	2006 As Restated
Instruction	$ 218.7	$ 194.4	$ 147.2	$ 8.8
Instruction-related activities	55.7	47.3	42.2	37.3
Other pupil services	44.5	38.8	22.9	23.0
Administration	19.5	18.3	17.8	16.7
Plant services	34.0	33.8	30.0	30.6
Ancillary services	23.2	25.5	4.7	5.3
Other	25.0	17.0	23.0	16.5
Totals	**$ 420.6**	**$ 375.1**	**$ 287.8**	**$ 138.2**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $228.3 million, which is a decrease of $63.8 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity			
	July 1, 2006	Revenues	Expenditures	June 30, 2007
General	$ 24.5	$ 383.0	$ 363.8	$ 43.7
Adult Education	-	17.7	17.5	0.2
Cafeteria	0.2	10.0	10.0	0.2
Deferred Maintenance	6.6	3.1	1.9	7.8
Building	73.0	39.3	78.5	33.8
Capital Facilities	3.5	1.4	1.5	3.4
County School Facilities	62.2	19.3	65.6	15.9
Special Reserve Capital Outlay	13.7	4.3	8.3	9.7
Building Corporation	102.4	25.5	20.2	107.7
Bond Interest and Redemption	6.0	7.8	7.9	5.9
Totals	**$ 292.1**	**$ 511.4**	**$ 575.2**	**$ 228.3**

The primary reasons for these changes are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $24.5 million to $43.7 million. This increase is due to State funding unspent at the end of the fiscal year.
b. Our Building Fund showed a net decrease of approximately $39.2 million from the previous year primarily due to both the "summer sprint" projects and an increase in modernization projects completed during the year. This fund will continue to fluctuate as modernization continues (Proposition O).

c. The County School Facilities Fund consisting of State construction dollars showed a net decrease of approximately $46.3 million from the previous year. This fund will continue to show significant activity as new modernization projects begin during the 2007-08 school year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 15, 2007. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 51.)

- Significant revenue revisions made to the 2006-07 budgets were due to finalized entitlements for State and Federal categorical programs.
- Budgeted expenditures increased by approximately $18.0 million for the final Federal and State entitlements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had $636.2 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase of $100.7 million, or 18%, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2007	2006
Land	$ 87.6	$ 87.6
Construction in progress	375.4	292.5
Site improvements	1.8	1.9
Buildings	166.0	147.6
Furniture and equipment	5.4	5.9
Totals	**$ 636.2**	**$ 535.5**

This year's additions of $100.7 million are made up of completed modernization projects which increase the value of facilities.

Several capital projects are planned for the 2007-08 school year. Major modernization projects are in progress, in addition to the District continuing implementation of the District wide technology plan that includes infrastructure and equipment. We present more detailed information about our capital assets in Note 4.

Long-Term Obligations

At the end of this year, the District had $218.6 million in long-term obligations outstanding versus $219.5 million last year. Those long-term obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities	
	2007	2006 As Restated
General obligation bonds	$ 186.1	$ 185.8
Certificates of participation	16.8	22.8
Capital leases	8.1	3.8
Accrued vacation	7.6	7.1
Totals	**$ 218.6**	**$ 219.5**

The District's general obligation bond rating continues to be "S&P – AAA/A-1+". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation debt of $186.1 million is significantly below the statutorily-imposed limit.

Other obligations include certificates of participation, capital leases, compensated absences payable, and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District budget for the 2007-08 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit income, which is a combination of property taxes and State aid, is expected to increase by approximately 4.53% as a result of Cost of Living Allowance increases.
2. Federal income will probably remain static as a result of increased growth being offset by program reductions, however the budget reflects a decrease due to revenue carry over from one year to the next.
3. State income will decrease primarily due to a combination of a decline in student population growth and Cost of Living Allowance increases. In addition, the budget reflects decreases due to revenue carry over from one year to the next.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades seven through eight	28:1	12,375
Grades nine through twelve	28:1	29,630

Budget Development Process

The Board of Trustees and staff continue to be committed to sound fiscal management and practices. The District adopted the 2007-08 budget which included significant reductions. Reductions include a projected decline in enrollment which equates to a reduction of approximately $1.3 million. In addition, the District has new funding priorities that amount to $.8 million. Also, the District significantly curtailed all budget augmentations during the second half of 2006-07. Plans have also been implemented to assist the District in closely monitoring and controlling all future expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Financial Officer, at Sweetwater Union High School District, Chula Vista, California, 91911, or e-mail at dianne.russo@suhsd.k12.ca.us.

SWEETWATER UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
ASSETS	
Deposits and investments	$ 220,745,361
Receivables	38,861,564
Prepaid expenses	24,653
Stores inventories	441,824
Other current assets	763,262
Capital assets, net of accumulated depreciation	
Land and construction in process	463,017,459
Other capital assets	241,811,324
Less: Accumuluated depreciation	(68,651,125)
Total Capital Assets	636,177,658
Total Assets	897,014,322
LIABILITIES	
Accounts payable	23,650,556
Interest payable	2,781,390
Deferred revenue	3,073,615
Current loans	5,000,000
Current portion of long-term obligations	5,966,228
Noncurrent portion of long-term obligations	212,631,269
Total Liabilities	253,103,058
NET ASSETS	
Invested in capital assets, net of related debt	573,442,436
Restricted for:	
Debt service	3,130,386
Capital projects	22,289,251
Educational programs	13,372,259
Other activities	8,195,208
Unrestricted	23,481,724
Total Net Assets	$ 643,911,264

The accompanying notes are an integral part of these financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 218,669,626	$ 3,576,828	$ 52,547,413	$ 15,307,707	$ (147,237,678)
Instruction-related activities:					
Supervision of instruction	16,119,406	692,698	7,451,768	-	(7,974,940)
Instructional library, media and technology	5,481,857	78,255	817,202	-	(4,586,400)
School site administration	34,128,628	260,224	4,178,569	-	(29,689,835)
Pupil services:					
Home-to-school transportation	9,524,389	307,728	3,121,053	-	(6,095,608)
Food services	10,084,172	2,824,255	6,719,794	-	(540,123)
All other pupil services	24,947,326	10,916	8,659,683	-	(16,276,727)
General administration:					
Data processing	4,581,964	-	82	-	(4,581,882)
All other general administration	14,921,720	131,730	1,615,538	-	(13,174,452)
Plant services	34,000,063	145,558	3,834,084	-	(30,020,421)
Facility acquisition and construction	163,953	-	-	-	(163,953)
Ancillary services	23,168,551	258,168	18,196,997	-	(4,713,386)
Community services	353,511	-	-	-	(353,511)
Interest on long-term obligations	9,081,111	-	-	-	(9,081,111)
Other outgo	15,393,659	-	1,999,179	-	(13,394,480)
Total Governmental Activities	$ 420,619,936	$ 8,286,360	$ 109,141,362	$ 15,307,707	(287,884,507)

General revenues and subventions:	
Property taxes, levied for general purposes	62,973,206
Property taxes, levied for debt service	7,708,073
Taxes levied for other specific purposes	19,407,087
Federal and State aid not restricted to specific purposes	218,537,227
Interest and investment earnings	9,958,677
Miscellaneous	7,207,381
Subtotal, General Revenues	325,791,651
Change in Net Assets	37,907,144
Net Assets - Beginning As Restated	606,004,120
Net Assets - Ending	$ 643,911,264

The accompanying notes are an integral part of these financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 26,732,946	$ 42,341,727	$ 21,382,321
Receivables	35,046,248	636,492	287,567
Due from other funds	1,777,665	468,725	134,374
Prepaid expenses	-	-	-
Stores inventories	303,358	-	-
Total Assets	$ 63,860,217	$ 43,446,944	$ 21,804,262
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 7,543,350	$ 9,641,401	$ 5,297,370
Due to other funds	4,517,694	46,805	598,210
Other current liabilities	5,000,000	-	-
Deferred revenue	3,073,615	-	-
Total Liabilities	20,134,659	9,688,206	5,895,580
Fund Balances			
Reserved	13,690,617	-	-
Unreserved:			
Designated	26,114,345	-	-
Undesignated, reported in:			
General Fund	3,920,596	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	33,758,738	15,908,682
Total Fund Balance	43,725,558	33,758,738	15,908,682
Total Liabilities and Fund Balances	$ 63,860,217	$ 43,446,944	$ 21,804,262

The accompanying notes are an integral part of these financial statements.

Building Corporation Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 105,885,711	$ 24,402,656	$ 220,745,361
-	2,891,257	38,861,564
1,983,995	8,926,927	13,291,686
-	24,653	24,653
-	138,466	441,824
$ 107,869,706	$ 36,383,959	$ 273,365,088
$ -	$ 1,168,435	$ 23,650,556
129,239	7,999,738	13,291,686
-	-	5,000,000
-	-	3,073,615
129,239	9,168,173	45,015,857
-	163,119	13,853,736
-	-	26,114,345
-	-	3,920,596
-	8,032,089	8,032,089
-	5,911,776	5,911,776
107,740,467	13,108,802	170,516,689
107,740,467	27,215,786	228,349,231
$ 107,869,706	$ 36,383,959	$ 273,365,088

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SWEETWATER UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total Fund Balance - Governmental Funds		**$ 228,349,231**
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 704,828,783	
Accumulated depreciation is	(68,651,125)	
Net Capital Assets		636,177,658
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		763,262
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,781,390)
Long-term obligations at year end consist of:		
General obligation bonds	182,211,404	
Unamortized premium on issuance	3,857,812	
Certificates of participation	16,832,500	
Capital lease obligations	8,060,944	
Compensated absences	7,634,837	
Total Long-Term Obligations		(218,597,497)
Total Net Assets - Governmental Activities		**$ 643,911,264**

The accompanying notes are an integral part of these financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	$ 255,616,908	$ -	$ -
Federal sources	24,162,665	-	-
Other State sources	65,617,127	-	13,340,688
Other local sources	32,033,491	2,214,725	2,693,188
Total Revenues	377,430,191	2,214,725	16,033,876
EXPENDITURES			
Current			
Instruction	202,568,049	-	-
Instruction-related activities:			
Supervision of instruction	15,013,954	-	-
Instructional library, media and technology	5,105,854	-	-
School site administration	30,169,827	-	-
Pupil services:			
Home-to-school transportation	9,510,370	-	-
Food services	37,328	-	-
All other pupil services	24,093,876	-	-
General administration:			
Data processing	4,560,335	-	-
All other general administration	14,786,783	-	-
Plant services	26,929,464	857,220	1,804,899
Facility acquisition and construction	217	77,489,655	25,375,498
Ancillary services	23,131,951	-	-
Community services	352,491	-	-
Other outgo	-	-	-
Debt service			
Principal	1,890,703	-	-
Interest and other	205,936	-	-
Total Expenditures	358,357,138	78,346,875	27,180,397
Excess (Deficiency) of Revenues Over Expenditures	19,073,053	(76,132,150)	(11,146,521)
Other Financing Sources (Uses)			
Transfers in	-	37,064,679	3,270,040
Other sources	5,564,367	-	-
Transfers out	(5,018,943)	(209,560)	(38,383,718)
Other uses	(405,959)	-	-
Net Financing Sources (Uses)	139,465	36,855,119	(35,113,678)
NET CHANGE IN FUND BALANCES	19,212,518	(39,277,031)	(46,260,199)
Fund Balance - Beginning	24,513,040	73,035,769	62,168,881
Fund Balance - Ending	$ 43,725,558	$ 33,758,738	$ 15,908,682

The accompanying notes are an integral part of these financial statements.

Building Corporation Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 14,691,519	$ 270,308,427
-	7,216,643	31,379,308
-	2,371,673	81,329,488
23,600,909	14,998,294	75,540,607
23,600,909	39,278,129	458,557,830
-	10,720,574	213,288,623
-	1,084,720	16,098,674
-	365,835	5,471,689
-	3,571,339	33,741,166
-	-	9,510,370
-	10,003,388	10,040,716
-	526,929	24,620,805
-	-	4,560,335
-	459,007	15,245,790
-	4,304,856	33,896,439
2,653,135	1,044,644	106,563,149
-	-	23,131,951
-	-	352,491
14,987,700	-	14,987,700
619,762	5,930,169	8,440,634
248,479	7,027,120	7,481,535
18,509,076	45,038,581	527,432,067
5,091,833	(5,760,452)	(68,874,237)
1,983,995	5,174,620	47,493,334
-	-	5,564,367
(1,741,441)	(2,139,672)	(47,493,334)
-	-	(405,959)
242,554	3,034,948	5,158,408
5,334,387	(2,725,504)	(63,715,829)
102,406,080	29,941,290	292,065,060
$ 107,740,467	$ 27,215,786	$ 228,349,231

SWEETWATER UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Total Net Change in Fund Balances - Governmental Funds		**$ (63,715,829)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities. This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlay	$ 106,503,226	
Depreciation expense	(5,858,825)	100,644,401
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(36,667)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.		(5,595,117)
In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was less than the amounts earned by $543,202.		(543,202)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities:		
General obligation bonds		1,475,000
Certificates of participation		5,927,500
Capital lease obligations		1,350,634

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2007

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 176,698	
Amortization of cost of issuance	(35,364)	$ 141,334
Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of the accrued interest on the general obligation bonds and certificates of participation obligations that increased by $1,740,910.		(1,740,910)
Change in Net Assets of Governmental Activities		**$ 37,907,144**

The accompanying notes are an integral part of these financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Other Private-Purpose Trust	Agency Funds
ASSETS		
Deposits and investments	$ 12,223	$ 5,169,062
Receivables	166	80,781
Prepaid expenses	-	81,232
Stores inventories	-	223,161
Total Assets	$ 12,389	$ 5,554,236
LIABILITIES		
Accounts payable	-	328,077
Due to student groups	-	5,226,159
Total Liabilities	-	$ 5,554,236
NET ASSETS		
Unreserved	12,389	
Total Net Assets	$ 12,389	

The accompanying notes are an integral part of these financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Other Private-Purpose Trust
ADDITIONS	
Interest	$ 619
Total Additions	619
DEDUCTIONS	
Other expenditures	500
Total Deductions	500
Change in Net Assets	119
Net Assets - Beginning	12,270
Net Assets - Ending	$ 12,389

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Sweetwater Union High School District (the District) was organized under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District is currently operating twelve high schools, one continuation high school, one junior high school, ten middle schools, four adult schools, and four alternative education schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Sweetwater Union High School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Sweetwater Union High School District Financing Corporation's financial activity is presented in the financial statements as the Building Corporation Capital Projects Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually prepared financial statements are not prepared for the Building Corporation Capital Projects Fund.

In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

Other Related Entities

Charter School The District has approved a Charter for The Metropolitan Area Advisory Committee Community Charter School pursuant to Education Code Section 47605. The Metropolitan Area Advisory Committee Community Charter School is operated by a separate governing board and not considered a component unit of the District. The District receives revenue on behalf of The Metropolitan Area Advisory Committee Community Charter School, which it passes on to the Charter.

Joint Powers Agencies and Public Entity Risk Pools The District is associated with one joint powers agency. This organization does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 17 to the financial statements. This organization is the following:

San Diego County Schools Risk Management JPA

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

Building Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

County School Facilities Fund The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

Building Corporation Capital Projects Fund The Building Corporation Capital Projects Fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

Adult Education Fund The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Capital Projects Funds The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund is used to account for funds set aside for Board designated construction projects.

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains the following debt service funds:

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund is the Foundation Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2007, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $20,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Bond Issuance Costs, Premiums and Discounts

In the government-wide financial statements long-term obligations and other long-term obligations are reported as liabilities in the applicable governmental activities fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports $46,987,104 of restricted net assets.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the statement of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Governmental activities	$ 220,745,361
Fiduciary funds	5,181,285
Total Deposits and Investments	$ 225,926,646

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	$ 8,252,047
Cash in revolving	15,000
Investments	217,659,599
Total Deposits and Investments	$ 225,926,646

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date	
STI Classic Funds, U.S. Treasury Money Market Fund	$ 4,012,665	1 day	*
American General Finance Corporation	3,013,910	10/01/07	
JP Morgan Institutional Service Treasury Money Market Fund	286	1 day	*
XL Financial Assurance	5,069,169	07/27/07	
TMG Financial Products Inc., Investment Agreement	518,500	04/01/10	
Financial Security Assurance	1,187,500	06/01/13	
First American Treasury Obligations Money Market Mutual Fund	1,641,132	1 day	*
County Treasury Investment Pool	203,155,250	171 days	*
Total	$ 218,598,412		

* Represents weighted average maturity

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

	Fair	Moody's Rating as of Year End		
Investment Type	Value	Aaa	Aa1	Aa3
STI Classic Funds, U.S. Treasury Money Market Fund	$ 4,012,665	$ 4,012,665	$ -	$ -
American General Finance Corporation	3,013,910	-	3,013,910	-
JP Morgan Institutional Service Treasury Money Market Fund	286	286	-	-
XL Financial Assurance	5,069,169	-	-	5,069,169
TMG Financial Products Inc., Investment Agreement	518,500	-	-	518,500
Financial Security Assurance	1,187,500	1,187,500	-	-
First American Treasury Obligations Money Market Mutual Fund	1,641,132	1,641,132	-	-
County Treasury Investment Pool	203,155,250	203,155,250	-	-
Total	$218,598,412	$209,996,833	$3,013,910	$ 5,587,669

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2007, the District's bank balance of $7,906,778 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2007, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Federal Government						
Categorical aid	$ 7,668,997	$ -	$ -	$ 1,337,404	$ 9,006,401	$ -
State Government						
Apportionment	13,933,391	-	-	1,157,802	15,091,193	-
Categorical aid	6,313,605	-	-	42,409	6,356,014	-
Lottery	3,397,496	-	-	-	3,397,496	-
Special education apportionment	2,439,852	-	-	-	2,439,852	-
Local Government						
Interest	434,667	635,632	287,552	291,211	1,649,062	166
Other Local Sources	858,240	860	15	62,431	921,546	80,781
Total	$ 35,046,248	$ 636,492	$ 287,567	$ 2,891,257	$ 38,861,564	$ 80,947

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 87,610,561	$ -	$ -	$ 87,610,561
Construction in process	292,533,259	105,421,163	22,547,524	375,406,898
Total Capital Assets Not Being Depreciated	380,143,820	105,421,163	22,547,524	463,017,459
Capital Assets Being Depreciated				
Land improvements	6,691,769	-	-	6,691,769
Buildings and improvements	195,862,938	22,816,614	44,716	218,634,836
Furniture and equipment	15,728,540	812,973	56,794	16,484,719
Total Capital Assets Being Depreciated	218,283,247	23,629,587	101,510	241,811,324
Less Accumulated Depreciation				
Land improvements	4,805,257	153,818	-	4,959,075
Buildings and improvements	48,231,096	4,410,802	8,049	52,633,849
Furniture and equipment	9,820,790	1,294,205	56,794	11,058,201
Total Accumulated Depreciation	62,857,143	5,858,825	64,843	68,651,125
Governmental Activities Capital Assets, Net	$ 535,569,924	$ 123,191,925	$ 22,584,191	$ 636,177,658

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 5,272,943
School site administration	292,941
All other pupil services	292,941
Total Depreciation Expenses All Activities	$ 5,858,825

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2007, between major and non-major governmental funds, are as follows:

	Due From					
Due To	General Fund	Building Fund	County School Facilities Fund	Building Corporation Capital Projects Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 46,805	$ 130,565	$ -	$ 1,600,295	$ 1,777,665
Building Fund	1,080	-	467,645	-	-	468,725
County School Facilities Fund	5,135	-	-	129,239	-	134,374
Building Corporation Capital Projects Fund	-	-	-	-	1,983,995	1,983,995
Non-Major Governmental Funds	4,511,479	-	-	-	4,415,448	8,926,927
Total	$4,517,694	$ 46,805	$ 598,210	$ 129,239	$ 7,999,738	$ 13,291,686

A balance of $2,354,608 due to the Special Reserve Capital Outlay Fund from the General Fund for debt service payment.

A balance of $1,859,771 due to Deferred Maintenance Fund from the Cafeteria Fund resulted from a temporary loan for cumulative prior year operating costs.

A balance of $1,200,000 due to Deferred Maintenance Fund from the General Fund resulted from the District State match.

The balance of $939,000 due to the General Fund from the Cafeteria Fund resulted from temporary loan.

The balance of $463,526 due to the Adult Education Fund from the General Fund resulted from their portion of categorical programs.

A balance of $1,983,995 due to the Building Corporation Fund from the Special Reserve Capital Fund for debt service payment.

The balance of $2,400,000 due to the Special Reserve Capital Outlay Fund from the Adult Education Fund resulted from a temporary loan to the program.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

	Transfer From					
Transfer To	General Fund	Building Fund	County School Facilities Fund	Building Corporation Capital Projects Fund	Non-Major Governmental Funds	Total
Building Fund	$ -	$ -	$ 37,064,679	$ -	$ -	$ 37,064,679
County School Facilities Fund	-	209,560	1,319,039	1,741,441	-	3,270,040
Building Corporation Capital Projects Fund	-	-	-	-	1,983,995	1,983,995
Non-Major Governmental Funds	5,018,943	-	-	-	155,677	5,174,620
Total	$ 5,018,943	$ 209,560	$ 38,383,718	$ 1,741,441	$ 2,139,672	$ 47,493,334

The General Fund transferred to the Adult Education Fund for transfer of lottery funds.	$ 1,382,335
The General Fund transferred to the Cafeteria Fund for a portion of revenue limit meals for needy.	82,000
The General Fund transferred to the Deferred Maintenance Fund for District match.	1,200,000
The General Fund transferred to the Special Reserve Capital Outlay Fund for debt service payments.	2,354,608
The Building Fund transferred to the County School Facilities Fund for project costs.	209,560
The Capital Facilities Fund transferred to the Special Reserve Capital Outlay Fund for debt service payments.	155,677
The County School Facilities Fund transferred to the County School Facilities Fund between sub-funds for excess funds reallocation from other projects for school #13.	1,319,039
The County School Facilities Fund transferred to the Building Fund for project matching funds.	37,064,679
The Special Reserve Capital Outlay Fund transferred to the Building Corporation Capital Projects Fund for project costs.	1,983,995
The Building Corporation Capital Projects Fund transferred to the County School Facilities Fund for reimbursement of project construction costs.	1,741,441
Total	$ 47,493,334

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2007, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	$ 3,020,902	$ -	$ -	$ 231,195	$ 3,252,097	$ -
Apportionment	767,075	-	-	-	767,075	-
Supplies and materials	854,105	-	11,383	66,159	931,647	-
Services	2,227,260	42,476	-	386,371	2,656,107	328,077
Construction	26,483	9,598,925	5,285,987	249,076	15,160,471	-
Other	647,525	-	-	235,634	883,159	-
Total	$ 7,543,350	$ 9,641,401	$ 5,297,370	$ 1,168,435	$ 23,650,556	$ 328,077

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2007, consists of the following:

	General Fund
Federal financial assistance	$ 266,259
State categorical aid	1,466,077
Other local	1,341,279
Total	$ 3,073,615

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 6, 2006, the District issued $5,000,000 of Tax and Revenue Anticipation Notes bearing interest at 4.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 27, 2007. By June 2007, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. The District has recorded the cash available to make the principal and interest payments as Cash with Fiscal Agent and with the corresponding liability as a current loan.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2006 As Restated	Additions	Deductions	Balance June 30, 2007	Due in One Year
General Obligation Bonds	$ 181,811,719	$ 1,874,685	$ 1,475,000	$182,211,404	$ 1,525,000
Unamortized premium on issuance	4,034,510	-	176,698	3,857,812	-
Certificates of Participation	17,760,000	-	5,615,000	12,145,000	2,115,000
2005 Certificates of Participation (Qualified Zone Academy Bonds)	5,000,000	-	312,500	4,687,500	312,500
Capital leases	3,816,461	5,595,117	1,350,634	8,060,944	2,013,728
Accumulated vacation - net	7,091,635	543,202	-	7,634,837	-
	$ 219,514,325	$ 8,013,004	$ 8,929,832	$218,597,497	$ 5,966,228

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments on the special tax debt are made by the Building Corporation Fund with local tax revenues. Payments for the Certificates of Participation are made by the General, Adult Education, and Special Reserve Capital Outlay Fund. The accrued vacation will be paid by the fund for which the employee worked.

General Obligation Bonds

The bonds mature as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2006	Accreted	Redeemed	Bonds Outstanding June 30, 2007
3/27/01	8/1/25	3.25-5.25%	$ 38,000,000	$ 30,615,000	$ -	$ 1,475,000	$ 29,140,000
6/25/03	8/1/28	3.00-4.75%	52,000,000	52,000,000	-	-	52,000,000
10/21/04	8/1/29	2.50-5.27%	96,999,415	99,196,719	1,874,685	-	101,071,404
				$ 181,811,719	$ 1,874,685	$ 1,475,000	$ 182,211,404

In November 2000, the District voters authorized $187 million in General Obligation Bonds for the remodeling, new construction and renovations detailed in the Facilities Improvement Plan. On March 27, 2001, the District issued Series A General Obligation Bonds in the amount of $38,000,000. The issue consists of serial bonds with a stated interest rate ranging between 3.25 - 5.25 percent, and fully maturing on August 1, 2025. At June 30, 2007, the principal balance outstanding was $29,140,000.

The bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	$ 1,525,000	$ 1,339,333	$ 2,864,333
2009	1,030,000	1,292,380	2,322,380
2010	1,070,000	1,251,668	2,321,668
2011	1,115,000	1,207,968	2,322,968
2012	1,155,000	1,161,900	2,316,900
2013-2017	6,570,000	4,989,953	11,559,953
2018-2022	8,365,000	3,145,900	11,510,900
2023-2026	8,310,000	856,000	9,166,000
Total	$ 29,140,000	$ 15,245,102	$ 44,385,102

On June 25, 2003, the District issued $52,000,000 in General Obligation Bonds for the continued remodeling, new construction and renovations detailed in the Facilities Improvement Plan. The issue, Series B of the total District voter authorized $187 million, consists of serial bonds with a stated interest rate ranging between 3.0 - 4.75 percent, and fully maturing on August 1, 2028. At June 30, 2007, the principal balance outstanding of the general obligation bonds was $52,000,000. Unamortized premium received on issuance of the bonds amounted to $620,388 as of June 30, 2007.

The bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	$ -	$ 2,187,490	$ 2,187,490
2009	525,000	2,179,615	2,704,615
2010	630,000	2,162,290	2,792,290
2011	745,000	2,140,734	2,885,734
2012	870,000	2,113,403	2,983,403
2013-2017	6,395,000	9,909,788	16,304,788
2018-2022	10,630,000	8,222,831	18,852,831
2023-2027	18,700,000	5,381,844	24,081,844
2028-2029	13,505,000	639,072	14,144,072
Total	$ 52,000,000	$ 34,937,067	$ 86,937,067

General Obligation Bonds Election 2000, Series C

On October 21, 2004, the District issued $96,999,415 aggregate original principal amount of General Obligation Bonds, Election of 2002, Series C. The bond issues are part of a $187 million authorization as approved pursuant to an election of District voters on November 7, 2000. The bonds were issued to finance modernization projects at 19 schools, including planning, design and construction costs for the facilities to be completed at all schools. The bonds mature through August 1, 2029, with interest yields from 2.50 to 5.27 percent. At June 30, 2007, the principal balance outstanding of the general obligation bonds was $101,071,404. Unamortized premium received on issuance of the bonds amounted to $3,237,424 as of June 30, 2007.

Fiscal Year	Principal	Accreted Interest	Current Interest to Maturity	Total
2008	$ -	$ -	$ 2,882,731	$ 2,882,731
2009	705,000	-	2,873,919	3,578,919
2010	1,325,000	-	2,847,716	4,172,716
2011	1,935,000	-	2,801,300	4,736,300
2012	2,390,000	-	2,733,438	5,123,438
2013-2017	16,596,343	3,233,657	12,111,175	31,941,175
2018-2022	16,703,213	15,666,787	11,389,500	43,759,500
2023-2027	21,991,848	21,048,151	11,209,594	54,249,593
2028-2030	39,425,000	-	3,302,056	42,727,056
Total	$ 101,071,404	$ 39,948,595	$ 52,151,429	$ 193,171,428

Summary Schedule of Certificates of Participation

On April 1, 1997, the District issued certificates of participation used to purchase relocatable classrooms to accommodate enrollment growth. The principal balance outstanding as of June 30, 2007, was $1,830,000.

The certificates mature through 2010 as follows:

Year Ending June 30,	Principal	Interest	Total
2008	$ 570,000	$ 92,192	$ 662,192
2009	610,000	61,192	671,192
2010	650,000	27,280	677,280
Total	$ 1,830,000	$ 180,664	$ 2,010,664

On January 1, 2001, the District issued $21,700,000 in certificates of participation used to advance refund various lease-purchase agreements for relocatable buildings and equipment. The certificates are due to mature on June 1, 2013 with an interest rate of 3.5 percent. At June 30, 2007, the principal balance outstanding was $10,315,000.

The certificates mature through 2014 as follows:

Year Ending June 30,	Principal	Interest	Total
2008	$ 1,545,000	$ 446,038	$ 1,991,038
2009	1,610,000	384,238	1,994,238
2010	1,680,000	315,813	1,995,813
2011	1,750,000	244,413	1,994,413
2012	1,825,000	167,850	1,992,850
2013	1,905,000	85,725	1,990,725
Total	$ 10,315,000	$ 1,644,077	$ 11,959,077

On August 1, 2005, the District, pursuant to a sublease agreement with the Sweetwater Union High School District Financing Corporation (the "Corporation"), issued $5,000,000 Certificates of Participation, 2005 Series A (Qualified Zone Academy Bonds). The District has been granted authorization from the State Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed $5,000,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986 and State regulations, to finance certain projects at qualified zone academies within the District. The District and the Corporation, in order to facilitate the financing of projects qualified under the QZAB Program, entered into a lease arrangement by which the District will lease to the Corporation those certain parcels of real property located within the District and pursuant to a sublease, the Corporation will sublease the property to the District, with the District required to pay base rental to the Corporation. The annual base rental payment of $312,500 to begin September 29, 2006, will be deposited with US Bank into an interest generating investment to produce sufficient income to repay the $5,000,000 certificates upon maturity on September 29, 2021. At June 30, 2007, the principal balance outstanding was $4,687,500.

Capital Leases

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

	Buses
Balance, July 1, 2006	$ 4,241,992
Additions	6,113,108
Payments	1,556,570
Balance, July 1, 2007	$ 8,798,530

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2008	$ 2,235,240
2009	2,135,240
2010	1,815,547
2011	1,074,747
2012	1,537,756
Total	8,798,530
Less: Amount Representing Interest	737,586
Present Value of Minimum Lease Payments	$ 8,060,944

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2007, amounted to $7,634,837.

NOTE 10 - COMMUNITY FACILITIES DISTRICT BONDS (NON-OBLIGATORY DEBT)

Non-obligatory debt relates to debt issuances issued by the Community Facilities Districts and the Sweetwater Union High School District Financing Corporation, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the School District. The District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Special Tax Bonds currently active include several Community Facilities Districts with a remaining balance as of June 30, 2007 of $206,675,000.

NOTE 11 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Cafeteria Fund
Reserved		
Revolving cash	$ 15,000	$ -
Stores inventory	303,358	138,466
Restricted programs	13,372,259	-
Prepaid expenditures	-	24,653
Total Reserved	13,690,617	163,119
Unreserved		
Designated		
Economic uncertainties	10,664,345	-
Other designations	15,450,000	-
Total Designated	26,114,345	-
Undesignated	3,920,596	-
Total Unreserved	30,034,941	-
Total	$ 43,725,558	$ 163,119

NOTE 12 - LEASE REVENUES

The District has property held for lease with an estimated cost of $1,699,967 and accumulated depreciation of $510,704. Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2008	$ 400,540
2009	170,826
2010	72,538
2011	72,538
2012	72,538
Total	$ 788,980

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides postemployment 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. Currently, 443 employees meet those eligibility requirements. During the year, expenditures of $1,822,165 were recognized for retirees' health care benefits.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a public entity risk pool, as described in Note 17, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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 Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2007, 2006, and 2005, were $15,171,480, $13,717,115, and $12,795,172, respectively, and equal 100 percent of the required contributions for each year.

PERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2006-2007 was 9.124 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2007, 2006, and 2005, were $5,722,255, $5,089,238, and $5,190,317, respectively, and equal 100 percent of the required contributions for each year.

Social Security

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 Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of $8,303,887 (4.517 percent of salaries subject to STRS). No contributions were required to be made to PERS for the year ended June 30, 2007. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2007.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2008	$ 544,716
2009	544,716
2010	544,716
2011	413,760
Total	$ 2,047,908

Rental expenditures for the year ended June 30, 2007, amounted to $948,129.

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Modernization		
Bonita Vista Middle	$ 755,868	06/30/08
Castle Park Middle	2,631,051	06/30/08
Granger Junior	3,886,267	06/30/08
Hilltop Middle	1,879,796	06/30/08
Mar Vista Middle	88,663	06/30/08
Montgomery Middle	252,151	06/30/08
National City Middle	182,756	06/30/08
Southwest Middle	1,059,542	06/30/08
Bonita Vista High	73,222	06/30/08
Castle Park High	147,709	06/30/08
Chula Vista High	1,650,147	06/30/08
Hilltop High	2,810,169	06/30/08
Mar Vista High	8,257	06/30/08
Montgomery High	363,365	06/30/08
Montgomery Adult	7,209,019	06/30/08
Palomar High	173,724	06/30/08
San Ysidro High	2,079,413	06/30/08
Southwest High	1,618,968	06/30/08
Sweetwater High	1,845	06/30/08
Growth/Construction		
Chula Vista High	349,943	06/30/08
Hilltop High	184,439	06/30/08
Montgomery High	38,009	06/30/08
National City Middle	76,529	06/30/08
Sweetwater High	119,975	06/30/08
	$ 27,640,827	

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the San Diego County Schools Risk Management JPA public entity risk pool. The District pays an annual premium for its health, workers' compensation, and property liability coverage. The relationship between the District, and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The entity had budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the entity.

During the year ended June 30, 2007, the District made payments of $8,338,087 to San Diego County Schools Risk Management JPA for above mentioned services.

NOTE 18 - RESTATEMENT OF PRIOR YEAR NET ASSETS AND FUND BALANCES

Certain items that occurred in the prior year net assets and fund balances have been restated as of June 30, 2006, to more accurately reflect the substance of the underlying transactions. The following table lists the reason for the restatement.

Government-Wide Financial Statements	
Net Assets - Beginning	$ 387,295,978
Overstatement of the deferred charges on CFD activity	(1,615,130)
Overstatement of long-term obligations from CFD activity	212,310,000
Overstatement of premium from CFD activity	4,786,159
Overstatement of accrued interest payable from CFD activity	3,227,113
Net Assets - Beginning As Restated	$ 606,004,120

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REQUIRED SUPPLEMENTARY INFORMATION

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SWEETWATER UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts (GAAP Basis) Original	Budgeted Amounts (GAAP Basis) Final	Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
REVENUES				
Revenue limit sources	$254,721,252	$ 255,616,908	$255,616,908	$ -
Federal sources	20,891,857	24,162,665	24,162,665	-
Other State sources	23,096,856	65,617,127	65,617,127	-
Other local sources	25,014,701	32,033,491	32,033,491	-
Total Revenues [1]	323,724,666	377,430,191	377,430,191	-
EXPENDITURES				
Current				
Instruction	181,037,173	207,573,939	202,568,049	5,005,890
Instruction-related activities:				
Supervision of instruction	11,853,664	20,052,226	15,013,954	5,038,272
Instructional library, media, and technology	4,203,533	6,411,463	5,105,854	1,305,609
School site administration	27,359,886	31,267,731	30,169,827	1,097,904
Pupil services:				
Home-to-school transportation	8,008,590	10,242,874	9,510,370	732,504
Food services	-	1,346	37,328	(35,982)
All other pupil services	21,187,753	24,439,518	24,093,876	345,642
General administration:				
Data processing	4,671,168	4,750,221	4,560,335	189,886
All other general administration	14,363,244	12,824,676	14,786,783	(1,962,107)
Plant services	26,174,227	27,746,361	26,929,464	816,897
Facility acquisition and construction	8,054	649,143	217	648,926
Ancillary services	19,028,700	24,468,937	23,131,951	1,336,986
Community services	303,759	344,074	352,491	(8,417)
Debt service				
Principal	-	1,556,570	1,890,703	(334,133)
Interest	219,693	-	205,936	(205,936)
Total Expenditures [1]	318,419,444	372,329,079	358,357,138	13,971,941
Excess of Revenues Over Expenditures	5,305,222	5,101,112	19,073,053	13,971,941
Other Financing Sources (Uses)				
Other sources	1,000,000	-	5,564,367	5,564,367
Transfers out	(5,431,625)	(5,312,115)	(5,018,943)	293,172
Other uses	(155,003)	(267,803)	(405,959)	(138,156)
Net Financing Sources (Uses)	(4,586,628)	(5,579,918)	139,465	5,719,383
NET CHANGE IN FUND BALANCES	718,594	(478,806)	19,212,518	19,691,324
Fund Balance - Beginning	24,513,040	24,513,040	24,513,040	-
Fund Balance - Ending	$ 25,231,634	$ 24,034,234	$ 43,725,558	$ 19,691,324

[1] On behalf payments of $8,303,887 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

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SUPPLEMENTARY INFORMATION

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SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041B	[1]	$ 36,031
Title III, Bilingual Education Comprehensive Grant	84.290U	[1]	18,716
Gaining Early Awareness and Readiness for Undergraduate	84.334A	[1]	3,350,801
Funds for the Improvement of Education:			
Teaching American History	84.215X	[1]	127,546
Carol White PE Program Grant	84.215F	[1]	241,155
Smaller Learning Communities	84.215L	[1]	95,938
Passed through California Department of Education (CDE):			
Adult Education: Priority 1-3 Adult Basic Education	84.002A	14508	521,547
Adult Education: Priority 5, Adult Secondary Education	84.002A	13978	78,445
Adult Education: English Literacy and Civics Education	84.002A	14109	86,784
No Child Left Behind Act:			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	5,930,294
Title I, Part A - Program Improvement	84.010	14581	190,000
Title I, Part F - Comprehensive School Reform	84.010	14325	200,200
Title II, Part A - Improving Teacher Quality	84.367	14341	1,457,234
Title II, Part D - Enhancing Education through Technology	84.318	14335	64,641
Title III - Immigrant Education	84.365	14346	106,268
Title III - Limited English Proficient	84.365	10084	793,056
Title IV - Safe and Drug Free Schools	84.186	14347	165,815
Title IV, Part B - 21st Century Community Centers Learning	84.287	14535	1,638,595
Title V - Innovative Strategies	84.298A	14354	42,744
Title VI, Part A - California Alternative Performance Assessment Testing	N/A	14488	2,690
Title X, McKinney-Vento Homeless Children Assistance Grant	84.196	14332	58,073
Advanced Placement Test Fee Program	84.330	14504	338,643
Carl Perkins Act: Vocational and Applied Technology Grants:			
Secondary Education	84.048	13924	548,349
Postsecondary and Adult II C, Sec 132	84.048	13923	295,306
Passed through South County SELPA:			
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	6,040,393
Local Staff Development Grant, Part B, Sec 611	84.027	13613	6,556
Low-Incidence Entitlement, Part B, Sec 617	84.027A	13459	2,705
Passed through San Diego County Office of Education:			
Advanced Placement Fee Reimbursement Program	84.330C	[2]	23,555
Carl Perkins Act: Vocational and Applied Technology Grants:			
Post Secondary	84.048	13923	96,197
Total U.S. Department of Education			22,558,277

[1] Directly Funded
[2] Pass-Through Entity Number not available

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program	10.555	13396	$ 4,077,443
Basic Breakfast	10.553	13390	8,471
Especially Needy Breakfast	10.553	13390	1,545,950
Meal Supplements	10.555	13666	167,456
Food Distribution	10.550	13389	339,044
Total U.S. Department of Agriculture			6,138,364
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medi-Cal Billing Option	93.778	10013	698,206
Medi-Cal Administrative Activities	93.778	10060	986,972
Total U.S. Department of Health and Human Services			1,685,178
U.S. DEPARTMENT OF INTERIOR FISH AND WILDLIFE SERVICE:			
Passed through the County of San Diego:			
Tijuana Slough Funds (PL 95-469)	15.000	[2]	16,703
U.S. DEPARTMENT OF LABOR			
Passed through San Diego Workforce Partnership, Inc.:			
Workforce Investment Act	17.255	03422	217,812
Workforce Investment Act, California Health Science Educators	17.260	02854	851
Total U.S. Department of Labor			218,663
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Clean School Bus USA	66.036	[2]	77,580
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	CA010872	279,456
Total Expenditures of Federal Awards			$ 30,974,221

[1] Directly Funded
[2] Pass-Through Entity Number Not Available.

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2007

ORGANIZATION

The Sweetwater Union High School District was established in 1920 and consists of an area comprising approximately 153 square miles. The District operates ten middle schools, one junior high school, twelve high schools, one continuation high school, four adult schools, and four alternative education schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Arlie N. Ricasa	President	2010
Pearl Quiñones	Vice President	2008
Jim Cartmill	Member	2010
Jaime Mercado	Member	2008
Greg R. Sandoval	Member	2010

ADMINISTRATION

Dr. Jesus M. Gandara	Superintendent
Dianne Russo	Chief Financial Officer

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2007

	Second Period Report	Annual Report
ELEMENTARY		
Seventh and eighth	11,370	11,348
Opportunity schools	18	18
Home and hospital	8	10
Community Day School	45	53
Special education	623	636
Total Elementary	12,064	12,065
SECONDARY		
Regular classes	25,096	24,969
Continuation education	369	358
Opportunity schools	9	8
Home and hospital	73	76
Community Day School	72	68
Special education	1,208	1,203
Total Secondary	26,827	26,682
Total 7 -12	38,891	38,747
CLASSES FOR ADULTS		
Concurrently enrolled	215	235
Not concurrently enrolled	5,506	5,570
Total Classes for Adults	5,721	5,805
Grand Total	44,612	44,552

	Hours of Attendance
SUMMER SCHOOL	
Elementary	296,403
High school	975,949
Total Hours	1,272,352

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2007

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2006-07 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	57,244	54,000				
Grade 7			61,610	180	180	Complied
Grade 8			61,610	180	180	Complied
Grades 9 - 12	58,020	64,800				
Grade 9			65,806	180	180	Complied
Grade 10			65,806	180	180	Complied
Grade 11			65,806	180	180	Complied
Grade 12			65,806	180	180	Complied

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Building Fund	County School Facilities Fund
FUND BALANCE		
Balance, June 30, 2007, Unaudited Actuals	$ 34,552,956	$ 16,465,787
Change in:		
Accounts receivable	-	(287,552)
Accounts payable	(794,218)	(269,553)
Balance, June 30, 2007, Audited Financial Statement	$ 33,758,738	$ 15,908,682

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

	(Budget) 2008 [1]	2007	2006	2005
GENERAL FUND				
Revenues	$ 342,024,618	$ 377,430,191	$ 322,368,562	$ 308,491,727
Other sources and transfers in	-	5,564,367	8,468,458	1,450,000
Total Revenues and Other Sources	342,024,618	382,994,558	330,837,020	309,941,727
Expenditures	336,505,406	358,357,138	323,575,365	302,732,082
Other uses and transfers out	5,694,780	5,424,902	5,058,137	5,017,510
Total Expenditures and Other Uses	342,200,186	363,782,040	328,633,502	307,749,592
INCREASE (DECREASE) IN FUND BALANCE	$ (175,568)	$ 19,212,518	$ 2,203,518	$ 2,192,135
ENDING FUND BALANCE	$ 43,549,990	$ 43,725,558	$ 24,513,040	$ 22,309,522
AVAILABLE RESERVES [2]	$ 16,290,136	$ 14,584,941	$ 13,564,432	$ 12,014,955
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	4.8%	4.1%	4.2%	4.0%
LONG-TERM OBLIGATIONS [4]	N/A	$ 218,597,497	$ 219,514,325	$ 212,030,320
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [5]	38,766	38,891	38,620	37,948

The General Fund balance has increased by $21,416,036 over the past two years. The fiscal year 2007-2008 budget projects a decrease of $175,568 (.4 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2007-2008 fiscal year. Total long-term obligations have increased by $6,567,177 over the past two years.

Average daily attendance has increased by 943 over the past two years. A decline of 125 ADA is anticipated during fiscal year 2007-2008.

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1 Budget 2008 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

3 On-behalf payments of $8,303,887 and $7,506,782 have been excluded from expenditures in the calculation of available reserves for fiscal years ending June 30, 2007 and June 30, 2006, respectively.

4 Excludes Adult Education ADA.

5 As restated for 2006 and 2005.

See accompanying note to supplementary information.

EXCESS SICK LEAVE
JUNE 30, 2007

Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Sweetwater Union High School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2007

Name of Charter School	Included in Audit Report
The Metropolitan Area Advisory Committee Community Charter School	No

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2007

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

SWEETWATER UNION HIGH SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
ELECTION OF 2006, SERIES 2008A

This **Continuing Disclosure Certificate** (the "Disclosure Certificate") is executed and delivered by the Sweetwater Union High School District (the "District") in connection with the issuance of $180,000,000 General Obligation Bonds, Election of 2006, Series 2008A (the "Series 2008A Bonds"). The Series 2008A Bonds are being issued pursuant to the Constitution and laws of the State of California, and a Resolution adopted by the Board of Trustees of the District on January 28, 2008 (the "Resolution"). Under this Continuing Disclosure Certificate, the District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and Beneficial Owners of the Series 2008A Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*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 who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Disclosure Representative*" shall mean, individually, the Superintendent of the District, the Chief Financial Officer or a designee, or such other officer or employee as the District shall designate in writing from time to time.

"*Dissemination Agent*" shall mean the Special District Financing & Administration, 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 Section 5(a) of this Disclosure Certificate.

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information concerning the National Repositories currently approved by the Securities and Exchange Commission is set forth at www.sec.gov/info/municipal/nrmsir.htm.

"*Official Statement*" shall mean the Official Statement relating to the Series 2008A Bonds, dated March 12, 2008.

“*Participating Underwriter”* shall mean UBS Securities LLC, Alta Vista Financial, Inc., or any of the original underwriters of the Series 2008A Bonds required to comply with the Rule in connection with offering of the Series 2008A Bonds.

"*Repository*" shall mean each National Repository and each State Repository.

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

“*State Repository*” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent (if other than the District) to, provide not later than nine months after the end of the District’s fiscal year (which currently would be March 31), commencing March 31, 2009, with the report for the 2007/08 Fiscal Year (which ends on June 30, 2008), to the Participating Underwriter and to each Repository, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

The Annual Report may be provided in electronic format to the Repositories or may be provided through the services of a “central post office” (CPO) approved by the Securities and Exchange Commission. Such CPO is currently available via the internet at <u>*www.disclosureusa.org*</u> and is operated by the Texas Municipal Advisory Council (“MAC”). Filings may be made electronically through the MAC and the CPO unless and until the Securities and Exchange Commission withdraw the interpretative advice on its letter ruling to the MAC dated September 7, 2004.

(b) If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall provide, or cause the Dissemination Agent to provide, to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the District or the Dissemination Agent may file such notice with the CPO.

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

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any, and make the filings required herein, as appropriate; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

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

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein in accordance with the accounting principles applicable to the District from time to time. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), unaudited financial statements will be provided, or made available, in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided when they become available.

(b) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

(i) A summary of the District's approved annual budget for the then-current fiscal year;

(ii) Updated information on average daily attendance, pension plans and non-certificated lease obligations;

(iii) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll; Property tax levies, collections and delinquencies for the District for the most recently completed fiscal years; and

(iv) Top ten property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value, if material.

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

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

(d) The items of subsection 4(b) shall be supplemented, if applicable, by event notices which have been filed pursuant to Section 5.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2008A Bonds, if material, to each National Repository or to the Municipal Securities Rulemaking Board, and to the State Repository (if any):

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities.

(11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file or cause to be filed a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

In lieu of filing the notice of Listed Event with each Repository in accordance with the preceding paragraph, the District or the Dissemination Agent may file such notice of a Listed Event with the CPO.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2008A Bonds. If such termination occurs prior to the final maturity of the Series 2008A Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

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

(a) if the amendment or waiver relates to the provisions of Section 3, 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Series 2008A Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series 2008A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Series 2008A Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2008A Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Series 2008A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Beneficial Owner or other bondholder may institute an action, suit or proceeding to compel performance unless (i) said person or entity has delivered to the District written evidence of ownership or interest on the Series 2008A Bonds and a written notice of, and request to correct, such failure, and (ii) a reasonable time for the District to comply with such request has expired and the District has failed or refused to provide the requested disclosure.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2008A Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Series 2008A Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Any notices or communications to or from the District or the Dissemination Agent pursuant to this Disclosure Certificate may be given via facsimile or by first class certified or registered mail, return receipt requested, or by a nationally recognized overnight courier, postage prepaid, to be effective when properly sent and received or refused as follows:

To District:	Sweetwater Union High School District 1130 Fifth Avenue Chula Vista, California 91911 Attention: Chief Financial Officer
To Dissemination Agent:	SPECIAL DISTRICT FINANCING & ADMINISTRATION 437 West Grand Avenue Escondido, CA 92025

The District and the Dissemination Agent may change their respective address for delivery of notice by delivering written notice to the other party at least ten (10) days prior to the effective date of such change.

Section 14. 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 15. Governing Law. The validity, enforceability, interpretation and performance of this Disclosure Certificate are governed by the laws of the State of California.

Date: March 27, 2008

SWEETWATER UNION HIGH SCHOOL DISTRICT

-EXHIBIT-

By ______________________________

Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of District: Sweetwater Union High School District

Name of Bond Issue: General Obligation Bonds, Election of 2006, Series 2008A

Date of Issuance: March 27, 2008

NOTICE IS HEREBY GIVEN to [each National Repository or the Municipal Securities Rulemaking Board] [the CPO and the Municipal Securities Rulemaking Board] that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 14 of the Resolution and the Continuing Disclosure Certificate executed and delivered by the District in connection with the referenced General Obligation Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:__________________

- EXHIBIT -

By: ____

Name: ____

Title: ____

EXHIBIT B

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

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IF THIS FILING RELATES TO A SINGLE BOND ISSUE:
Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where Issuer is located):

$180,000,000
SWEETWATER UNION HIGH SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2006, SERIES 2008A
(County of San Diego, California)

Provide nine-digit CUSIP* numbers if available, to which the information relates:

Maturity (August 1)	CUSIP No.
2008	870462PT9
2009	870462PU6
2010	870462PV4
2011	870462PW2
2012	870462PX0
2013	870462PY8
2014	870462PZ5
2015	870462QA9
2016	870462QB7
2017	870462QC5
2018	870462QD3
2019	870462QE1
2020	870462QF8
2032	870462QG6
2038	870462QH4
2047	870462QJ0

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): ______________________________

Other Obligated Person's Name (if any): ______________________________
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s) if available, of Issuer: ______________________________
*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

_ Electronic (number of pages attached) ________________ _ Paper (number of pages attached) ____________________

If information is also available on the Internet, give URL: ______________________________________

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. _ Annual Financial Information and Operating Data pursuant to Rule 15c2-12
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: ____

B. _ Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered:____

C. _ Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- Principal and interest payment delinquencies
- Non payment related defaults
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions or events affecting the tax exempt status of the security
- Modifications to rights of security holders
- Contingent or unscheduled bond calls
- Defeasances
- Release, substitution, or sale of property securing repayment of the securities
- Rating changes

D. _ Notice of Failure to Provide Annual Financial Information as Required

E. _ Other Secondary Market Information (Specify): ____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name ____ Title ____
Employer ____
Address ____ City _____________________ State _____ Zip Code __________
Telephone ________________________________ Fax __________________________________

Email Address ____ Issuer Web Site Address ____________________________

Dissemination Agent Contact, if any:
Name ____ Title ____
Employer ____
Address ____ City _____________________ State _____ Zip Code __________
Telephone ________________________________ Fax __________________________________
Email Address ____ Relationship to Issuer ____________________________

Obligor Contact, if any:
Name ____ Title ____
Employer ____
Address ____ City _____________________ State _____ Zip Code __________
Telephone ________________________________ Fax __________________________________
Email Address ____ Obligor Web Site Address ____________________________
____

Investor Relations Contact, if any:
Name ____ Title ____
Telephone ________________________________ Fax __________________________________

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2008A Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Series 2008A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2008A 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 Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2008A Bonds. The Series 2008A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2008A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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 securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <u>www.dtcc.com</u> and <u>www.dtc.org</u>.

Purchases of Series 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the

Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2008A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008A 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 Series 2008A 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 Series 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A 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 shall be sent to DTC. If less than all of the Series 2008A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2008A 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 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 principal, premium, if any, and interest 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.

A Beneficial Owner shall give notice to elect to have its Series 2008A Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Series 2008A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2008A Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Series 2008A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2008A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2008A Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, Bonds will be printed and delivered.

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.

Registration, Transfer and Exchange of Series 2008A Bonds

Any Series 2008A Bond may be exchanged for Series 2008A Bonds of like tenor, maturity and principal amount upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent.

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019

Form 500NY (5/90)

FINANCIAL SECURITY ASSURANCE®

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER: Policy No.: -N

BONDS: Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019
(212) 826-0100

Form 560NY (CA 1/91)

SPECIMEN

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