NEW ISSUES — BOOK-ENTRY ONLY

RATINGS:
S&P (underlying) – "A+"
Moody's (underlying) – "A1"
Fitch (underlying) – "AAA"
S&P (Insured Bonds) – "AA"
Moody's (Insured Bonds) – "A2"
(See "MISCELLANEOUS – Ratings" herein.)

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, and based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, 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 ("Code"). In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; however Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Bonds. See "TAX MATTERS – Opinion of Bond Counsel" herein.

$265,710,000
Sweetwater Union High School District
General Obligation Bonds
consisting of

$168,710,000
2016 General Obligation Refunding Bonds

$97,000,000
General Obligation Bonds
Election of 2006, Series 2016B

Dated: Date of Delivery **Due: August 1, (see inside cover page)**

The Sweetwater Union High School District 2016 General Obligation Refunding Bonds (the "Refunding Bonds") and the Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2016B (the "Series B Bonds" and, together with the Refunding Bonds, the "Bonds") are being issued by the Sweetwater Union High School District (the "District") pursuant to applicable law and Resolutions of the Board of Trustees of the District (Resolution No. 4402 with respect to the Refunding Bonds and Resolution No. 4403 with respect to the Series B Bonds) each adopted on January 25, 2016 (each, a "Bond Resolution" and, together, the "Bond Resolutions") and the County Resolution (each as described herein). The Refunding Bonds are being issued to provide funds to advance refund and defease certain maturities of the Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2008A and to pay certain costs of issuing the Refunding Bonds. The Series B Bonds are being issued to provide funds, together with other funds on deposit, to pay and defease the District's 2013 General Obligation Bond Anticipation Notes in the aggregate principal amount of $32,820,000, issued under the authorization of the Election of 2006, to fund additional Proposition O projects, and to pay certain costs of issuing the Series B Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The interest and principal on the Bonds shall be payable on February 1 and August 1 of each year, commencing on August 1, 2016 (each a "Bond Payment Date") to their maturity. Pursuant to the Bond Resolutions, and the County Resolution (each as described herein), the San Diego County Treasurer's Office will be appointed as initial paying agent and registrar (the "Paying Agent") for the Bonds.

The scheduled payment of principal of and interest on the Series B Bonds maturing on August 1 of the years 2028 through 2036, inclusive, and 2040 (collectively, the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE BONDS – Redemption of the Bonds."

The Bonds will be issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in denominations of $5,000 principal amount and any integral multiple thereof. The principal amount of, and interest on, the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See "THE BONDS" and APPENDIX C – "BOOK-ENTRY ONLY SYSTEM" herein.

This cover page contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to approval of 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 Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC, on or about March 24, 2016.

Mesirow Financial, Inc.

Dated: March 9, 2016

MATURITY SCHEDULE

$168,710,000
Sweetwater Union High School District
2016 General Obligation Refunding Bonds

$53,695,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No. †
2018	$725,000	4.000%	0.850%	107.321	870462 TD0
2019	470,000	4.000	1.030	109.762	870462 TC2
2020	465,000	4.000	1.190	111.884	870462 RN0
2021	250,000	4.000	1.400	113.362	870462 RP5
2022	260,000	4.000	1.600	114.440	870462 RQ3
2023	270,000	4.000	1.840	114.789	870462 RR1
2024	280,000	4.000	2.020	115.146	870462 RS9
2025	295,000	4.000	2.200	115.138	870462 RT7
2026	305,000	4.000	2.340	114.529 C	870462 RU4
2027	320,000	5.000	2.420	122.493 C	870462 RV2
2028	335,000	5.000	2.500	121.710 C	870462 RW0
2029	350,000	5.000	2.570	121.029 C	870462 RX8
2030	6,065,000	5.000	2.610	120.642 C	870462 RY6
2031	6,365,000	5.000	2.690	119.873 C	870462 RZ3
2032	6,685,000	5.000	2.780	119.015 C	870462 SA7
2033	7,020,000	5.000	2.830	118.541 C	870462 SB5
2034	7,370,000	5.000	2.880	118.069 C	870462 SC3
2035	7,740,000	5.000	2.930	117.600 C	870462 SD1
2036	8,125,000	5.000	2.980	117.133 C	870462 SE9

$56,585,000 4.000% Term Bonds due August 1, 2042 Yield 3.520% C CUSIP No. † 870462 SF6

$58,430,000 4.000% Term Bonds due August 1, 2047 Yield 3.560% C CUSIP No. † 870462 SG4

$97,000,000
Sweetwater Union High School District
General Obligation Bonds, Election of 2006, Series 2016B

$73,975,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP No. †
2019	$2,320,000	2.000%	1.030%	103.188	870462 SH2
2020	2,370,000	2.000	1.190	103.425	870462 SJ8
2021	2,415,000	2.500	1.400	105.652	870462 SK5
2022	2,475,000	3.000	1.600	108.423	870462 SL3
2023	3,800,000	3.000	1.840	107.941	870462 SM1
2024	4,125,000	3.000	2.020	107.496	870462 SN9
2025	4,605,000	3.000	2.200	106.727	870462 SP4
2026	4,535,000	4.000	2.340	114.529 C	870462 SQ2
2027	4,900,000	4.000	2.630	111.820 C	870462 SR0
2028*	5,265,000	3.000	3.000	100.000	870462 SS8
2029*	5,605,000	3.000	3.060	99.343	870462 ST6
2030*	3,195,000	3.000	3.110	98.731	870462 SU3
2031*	2,825,000	3.000	3.170	97.943	870462 SV1
2032*	4,500,000	3.000	3.250	96.845	870462 SW9
2033*	4,990,000	3.000	3.280	96.314	870462 SX7
2034*	5,115,000	3.125	3.320	97.333	870462 SY5
2035*	5,325,000	3.125	3.370	96.534	870462 SZ2
2036*	5,610,000	3.125	3.420	95.697	870462 TB4

$23,025,000 3.375% Term Bonds due August 1, 2040* Yield 3.610% CUSIP No. † 870462 TA6

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† CUSIP data included herein is subject to Copyright 2016, American Bankers Association. CUSIP data included herein is provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and is provided for convenience of reference only. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

C Priced to first par call date of February 1, 2026.

* Insured by Assured Guaranty Municipal Corp.

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

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

The District maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act.

CUSIP® data included herein is subject to Copyright 2016, American Bankers Association. CUSIP data included herein is provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and is provided for convenience of reference only. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

SWEETWATER UNION HIGH SCHOOL DISTRICT
(County of San Diego, California)

DISTRICT ADMINISTRATORS

Dr. Karen Janney, *Superintendent*
Karen Michel, *Chief Financial Officer*
Jennifer Carbuccia, *General Counsel, Legal Services Division*

SPECIAL SERVICES

Bond Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Paying Agent

San Diego County Treasurer's Office

Escrow Agent

MUFG Union Bank, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

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Sweetwater Union High School District
General Obligation Bonds

consisting of

$168,710,000
2016 General Obligation Refunding Bonds

and

$97,000,000
General Obligation Bonds, Election of 2006, Series 2016B

INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover page, table of contents and the Appendices, is to provide certain information concerning the issuance of and sale by the Sweetwater Union High School District (the "District") of $168,710,000 aggregate initial principal amount of its 2016 General Obligation Refunding Bonds (the "Refunding Bonds") and $97,000,000 aggregate initial principal amount of its General Obligation Bonds, Election of 2006, Series 2016B (the "Series B Bonds" and, together with the Refunding Bonds, the "Bonds" and with each referred to herein as a "Series" of Bonds), as described more fully herein. This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Bonds to potential investors is made only by means of the entire Official Statement.

The Refunding Bonds are being issued pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code"). The Series B Bonds are being issued pursuant to certain provisions of the Government Code and, to the extent applicable, California Education Code, Article 1 of Chapter 1.5 of Part 10 of Division 1 of Title 1 (the "Education Code") and other applicable law. The Bonds are further being issued pursuant to Resolutions of the Board of Trustees of the District (Resolution No. 4402 with respect to the Refunding Bonds and Resolution No. 4403 with respect to the Series B Bonds) adopted on January 25, 2016 (each, a "Bond Resolution" and, together, the "Bond Resolutions"). With respect to the Series B Bonds, the San Diego County Board of Supervisors adopted, at the request of the District, a resolution ("County Resolution") consenting to the issuance of the Series B Bonds by the District. Pursuant to the Bond Resolutions, and the County Resolution, the San Diego County Treasurer's Office will be appointed as initial paying agent and registrar (the "Paying Agent") for the Bonds. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the respective Bond Resolution. The Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County of San Diego (the "County") is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein.

On November 7, 2006, the District received authorization from the qualified electors of the District, in compliance with Proposition 39, to issue not to exceed $644,000,000 aggregate principal amount of general obligation bonds pursuant to a bond measure designated as "Proposition O" (the "2006 Bond

Authorization"). As of the date hereof, one series of general obligation bonds, the District's General Obligation Bonds, Election of 2006, Series 2008A (the "Series 2008A Bonds") in the aggregate principal amount of $180,000,000, and one series of bond anticipation notes, the District's 2013 General Obligation Bond Anticipation Notes (the "2013 BANs"), in the aggregate principal amount of $32,820,000, are the only issues under the 2006 Bond Authorization. Principal and interest payments on the Series 2008A Bonds are being paid from *ad valorem* property taxes levied and collected by the County on taxable property within the District for that purpose. Following the issuance of the Series B Bonds, the District will have $367,000,000 aggregate principal amount of the general obligation bonds authorized by the 2006 Bond Authorization not yet issued. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Refunding Bonds are being issued to provide funds to advance refund and defease certain maturities of the Series 2008A Bonds and to pay certain costs of issuing the Refunding Bonds. The Series B Bonds are being issued to provide funds, together with other funds on deposit, to pay and defease the 2013 BANs at maturity, to fund additional Proposition O projects, and to pay certain costs of issuing the Series B Bonds. The Series 2008A Bonds being refunded are, in certain cases, referred to herein as the "Refunded Series 2008A Bonds." See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds will be issued as fully registered Bonds in denominations of $5,000 principal amount and any integral multiple thereof. The interest and principal on the Bonds shall be payable on February 1 and August 1 of each year, commencing on August 1, 2016 (each a "Bond Payment Date") to their maturity. See "THE BONDS."

The District was established in 1920 and consists of approximately 153 square miles. The District provides education for grades 7 through 12 and is currently operating twelve comprehensive high schools, one continuation school, ten middle schools, one junior high school, five adult education programs and four alternative education schools. Two charter schools also operate within the District's boundaries. As of Fiscal Year 2015-16, the District serves approximately 40,007 students in grades 7 to 12 and approximately 10,375 adult learners in the communities of Bonita, Chula Vista, Eastlake, Imperial Beach, National City, Otay Mesa, South San Diego and San Ysidro. The District's estimated average daily attendance for Fiscal Year 2015-16 is 38,205 and taxable property within the District has a Fiscal Year 2015-16 assessed valuation of $39,700,672,744. The District has budgeted Fiscal Year 2015-16 general fund expenditures of approximately $450,277,944. For additional information about the District's operations and finances, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET."

Brief descriptions of the Bonds, the Bond Resolutions, the security for the Bonds, the District, the tax base of the District and certain other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Bond Resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Bond Resolutions and other documents. Copies of such documents may be obtained for inspection during the period of initial offering on the Bonds through the Underwriter. Thereafter, copies of such documents may be obtained for inspection and for reproduction upon payment of applicable fees at the office of the Chief Financial Officer, Sweetwater Union High School District, 1130 Fifth Avenue, Chula Vista, California 91911.

THE BONDS

Authority for Issuance

Each Series of Bonds is being issued pursuant to the related Bond Resolution, and with respect to the Series B Bonds, the County Resolution, consenting to the issuance of the Series B Bonds by the District. The Refunding Bonds are being issued pursuant to certain provisions of the Government Code. The Series B Bonds are being issued pursuant to the provisions of the Government Code and the Education Code, and other applicable law. At an election duly called and regularly held in the District on November 7, 2006, the District received authorization from the qualified electors of the District, in compliance with Proposition 39, to issue not to exceed $644,000,000 aggregate principal amount of general obligation bonds pursuant to the 2006 Bond Authorization.

Purpose

The Refunding Bonds are being issued to provide funds to advance refund and defease the Refunded Series 2008A Bonds, being those Series 2008A Bonds maturing on August 1, 2019, August 1, 2020, August 1, 2032, August 1, 2038, and August 1, 2047, and to pay certain costs of issuing the Refunding Bonds. The Series B Bonds are being issued to provide funds, together with other funds on deposit, to pay and defease the 2013 BANs at maturity, to fund additional Proposition O projects, and to pay certain costs of issuing the Series B Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Form and Registration

The Bonds will be issued in fully registered book-entry form only, in denominations of $5,000 principal amount and any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchases of Bonds under the DTC system must be made by or through a DTC participant, and ownership interests in Bonds or any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX C – "BOOK-ENTRY ONLY SYSTEM."

Payment of the Bonds

Payment of Bonds. The Bonds will be issued as fully registered bonds in the denomination of $5,000 principal amount, or any integral multiple thereof. The Bonds shall be dated as of their initial date of delivery and shall bear interest at the rates set forth on the inside cover page hereof payable on each Bond Payment Date to their maturity. Interest on the Bonds shall be payable to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date (as defined herein). The principal on the Bonds shall be payable on August 1 of each year, commencing on August 1, 2020 with respect to the Refunding Bonds and on August 1, 2019 with respect to the Series B Bonds. The Refunding Bonds will be due and payable on and prior to August 1, 2047. The Series B Bonds will be due and payable on and prior to August 1, 2040. Principal of and interest (if any) on the Bonds shall be payable in lawful money of the United States of America. The principal amount of, and interest on, the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See APPENDIX C – "BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds shall be paid on each Bond Payment Date by check mailed by first class mail to the person in whose name the Bond is registered, and to that person's address appearing on the Bond

Register (as described in the respective Bond Resolution) on the Record Date. The Owner of an aggregate principal amount of $1,000,000 or more of a Series of Bonds may request, in writing, prior to the close of business on the fifteenth (15th) day of the month preceding each Bond Payment Date (each, a "Record Date"), 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.

Payments of principal and redemption premiums, if any, with respect to the Bonds, shall be payable at maturity or redemption upon surrender at the Office of the Paying Agent (as defined in the respective Bond Resolution). In the event the Paying Agent shall provide written notice of a change in the location for payment of principal, redemption premiums and interest on the Bonds, the Paying Agent shall thereafter provide notice of such change to the Informational Services and Securities Depositories (each as defined in the respective Bond Resolution) of such change. The Paying Agent is authorized under each Bond Resolution to pay the related Series of Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Record Date in which event it shall bear interest from the initial date of delivery, computed using a year of 360 days, comprised of twelve 30-day months; provided, however, that if at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series B Bonds maturing on August 1 of the years 2028 through 2036, inclusive, and 2040 (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement. See "BOND INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Redemption of the Bonds

Optional Redemption of Refunding Bonds. The Refunding Bonds maturing on or before August 1, 2025, are not subject to optional redemption prior to maturity. The Refunding Bonds maturing on or after August 1, 2026, are subject to redemption prior to maturity from any funds legally available therefore, in whole or in part on any date, on or after February 1, 2026, at the principal amount of the Refunding Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption of Refunding Term Bonds. The Refunding Term Bonds maturing on August 1, 2042, are subject to mandatory sinking fund redemption prior to their maturity date on August 1 commencing on August 1, 2037, in the following years and in the following principal amounts from monies in the Debt Service Fund established in the Bond Resolution for the Refunding Bonds, by lot, at a redemption price equal to the principal amount thereof, without premium:

Year (August 1)	Principal Amount
2037	$8,530,000
2038	8,875,000
2039	9,225,000
2040	9,595,000
2041	9,980,000
2042*	10,380,000

* Final Maturity.

The Refunding Term Bonds maturing on August 1, 2047 are subject to mandatory sinking fund redemption prior to their maturity date on August 1 commencing on August 1, 2043, in the following years and in the following principal amounts from monies in the Debt Service Fund established in the Bond Resolution for the Refunding Bonds, by lot, at a redemption price equal to the principal amount thereof, without premium:

Year (August 1)	Principal Amount
2043	$10,790,000
2044	11,220,000
2045	11,665,000
2046	12,135,000
2047*	12,620,000

* Final Maturity.

Selection of Refunding Bonds for Redemption. Whenever less than all of the Outstanding Refunding Bonds are to be redeemed, the Paying Agent, upon written direction from the District shall select the Refunding Bonds to be redeemed as so directed by the District, and if not so directed in inverse order of maturity, and within a maturity, the Paying Agent shall select Refunding Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Refunding Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple thereof. The Paying Agent shall promptly notify the District of the Refunding Bonds so selected for redemption on such date. In the event that Refunding Term Bonds are subject to optional redemption pursuant to the Bond Resolution for the Refunding Bonds there shall be pro rata reductions in the annual sinking fund payments due on such Outstanding Term Bonds.

Optional Redemption of Series B Bonds. The Series B Bonds maturing on or before August 1, 2025, are not subject to optional redemption prior to maturity. The Series B Bonds maturing on or after August 1, 2026, are subject to redemption prior to maturity from any funds legally available therefore, in whole or in part on any date, on or after February 1, 2026, at the principal amount of the Series B Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption of Series B Term Bonds. The Series B Term Bonds maturing on August 1, 2040, are subject to mandatory sinking fund redemption prior to their maturity date on August 1 commencing on August 1, 2037, in the following years and in the following principal amounts from monies in the Debt Service Fund established in the Bond Resolution for the Series B Bonds, by lot, at a redemption price equal to the principal amount thereof, without premium:

Year (August 1)	Principal Amount
2037	$5,100,000
2038	5,800,000
2039	6,000,000
2040*	6,125,000

* Final Maturity.

Selection of Series B Bonds for Redemption. Whenever less than all of the Outstanding Series B Bonds are to be redeemed, the Paying Agent, upon written direction from the District shall select the Series B Bonds to be redeemed as so directed by the District, and if not so directed in inverse order of maturity, and within a maturity, the Paying Agent shall select Series B Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Series B Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple thereof. The Paying Agent shall promptly notify the District of the Series B Bonds so selected for redemption on such date. In the event that Series B Term Bonds are subject to optional redemption pursuant to the Bond Resolution for the Series Bonds there shall be pro rata reductions in the annual sinking fund payments due on such Outstanding Term Bonds.

Notice of Redemption. The Paying Agent shall give notice of each designated redemption ("Redemption Notice") of the respective Series of Bonds at the expense of the District. Such Redemption Notice shall specify: (a) that the respective Series of Bonds or a designated portion thereof are to be redeemed; (b) if less than all of the then outstanding respective Series of Bonds are to be called for redemption, shall designate the numbers (or state that all of the respective Series of Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP® numbers, if any, of the respective Series of Bonds to be redeemed; (c) the date of notice and the date of redemption; (d) the place or places where the redemption will be made; and (e) descriptive information regarding the respective Series of Bonds and the specific Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to the date of redemption, and redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue or accrete, as applicable.

Any Redemption Notice shall be mailed, first class postage, to the registered owners of the respective Series of Bonds, to a Securities Depository and to a national Information Service, and by first class mail, postage prepaid, to the District and the respective Owners of any registered Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the designated redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds nor entitle the Owner thereof to interest beyond the date given for redemption. A certificate provided by the Paying Agent that notice of such redemption has been given as provided in the related Bond Resolution shall be conclusive as against all parties, and it shall not be open to a Bond Owner to show that he or she failed to receive notice of such redemption. In case of the redemption as permitted in the related Bond Resolution of all the outstanding Bonds of such series of any one maturity, notice of redemption shall be given by mailing as provided in the related Bond Resolution provided, except that the notice of redemption need not specify the serial numbers of the Bonds of such maturity.

Neither failure to receive or failure to send, to the Securities Depositories or Informational Services, any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Neither the failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of accrual or accretion of interest, as applicable, represented thereby from and after the redemption date.

Contingent Redemption; Rescission of Redemption. Any Redemption Notice may specify that redemption of the respective Series of Bonds designated for redemption on the specified date will be subject to the receipt by the District of monies sufficient to cause such redemption (and will specify the proposed source of such monies), and neither the District or the County will have any liability to the Owners of any of the respective Series of Bonds, or any other party, as a result of the District's failure to redeem the respective Series of Bonds designated for redemption as a result of insufficient monies therefor.

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

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as provided for in the respective Bond Resolution and, when the amount necessary for the redemption of the respective Series of Bonds called for redemption (principal amount, interest and premium, if any) is set aside for that purpose in the related Debt Service Fund, as provided in the related Bond Resolution, the respective Series of Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds shall be redeemed and paid at the redemption price from funds held in the respective Debt Service Fund.

Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP® number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

If on such redemption date, money for the redemption of all the respective Series of Bonds to be redeemed as provided in each respective Bond Resolution, together with interest to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid (and not rescinded), then from and after such redemption date, interest with respect to the respective Series of Bonds to be redeemed shall cease to accrue or accrete, as applicable. All money held for the redemption of respective Series of Bonds shall be held in trust for the account of the registered Owners of the respective Series of Bonds so to be redeemed. All unpaid interest payable at or prior to the designated redemption date shall continue to be payable to the respective Owners, but without interest thereon.

Effect of Notice of Redemption. Notice having been given as aforesaid (and not rescinded), and the monies for the redemption (including the interest to the applicable date of redemption) having been set aside in the respective Debt Service Fund, the respective Series of Bonds to be redeemed shall become due and payable on such date of redemption.

Purchase in Lieu of Redemption. In lieu of, or partially in lieu of, any redemption of Bonds pursuant to the terms of the related Bond Resolution, monies in the respective Debt Service Fund may be used to purchase the outstanding related Series of Bonds that were to be redeemed with such funds in the manner provided in the related Bond Resolution. Purchases of outstanding respective Series of Bonds may be made by the District or the County through the Paying Agent prior to the selection of such Bonds for redemption at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest. Any accrued interest payable upon the purchase of Bonds may be paid from the respective Debt Service Fund for payment of interest on the next following Interest Payment Date. Any Bond purchased in lieu of redemption shall be transmitted to the Paying Agent and shall be canceled by the Paying Agent upon surrender thereof, as provided for in the respective Bond Resolution and shall not be reissued or resold.

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

Cancellation of Redeemed Bonds. All Bonds paid at maturity or redeemed prior to maturity shall be canceled upon surrender thereof and be delivered to or upon the order of the County and the District. All or any portion of a Bond purchased by the County or the District pursuant to subsection (j) above shall be canceled by the Paying Agent and the Paying Agent shall provide a written certification of such cancellation and destruction to the District.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of the respective Bond Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient monies shall be held by the Paying Agent irrevocably in trust, or for its benefit in escrow, for the payment of the redemption price of such Bonds or portions thereof, and, in the case of Bonds, accrued interest with respect thereto to the date fixed for redemption, all as provided in each respective Bond Resolution, then such Bonds shall no longer be deemed outstanding, and shall be surrendered to the Paying Agent for cancellation upon the respective redemption date(s).

Registration of Exchange or Transfer

So long as the Bonds remain in book-entry form, transfer and exchange of any of the Bonds will be accomplished in accordance with the provisions of such book-entry system. In the event and only in the event of termination of such book-entry system with respect to the Bonds, the Bonds may be transferred and exchanged for Bonds of such Series of Bonds in accordance with the terms of the respective Bond Resolution and the corresponding Series of Bonds. See APPENDIX C – "BOOK-ENTRY ONLY SYSTEM."

Debt Service

Debt service on the Bonds is as shown in the following table:

	Refunding Bonds		Series B Bonds		
Payment Date	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
August 1, 2016	--	$2,558,3976	--	$1,076,601	$3,634,998
February 1, 2017	--	3,626,075	--	1,525,891	5,151,966
August 1, 2017	--	3,626,075	--	1,525,891	5,151,966
February 1, 2018	--	3,626,075	--	1,525,891	5,151,966
August 1, 2018	$725,000	3,626,075	--	1,525,891	5,876,966
February 1, 2019	--	3,611,575	--	1,525,891	5,137,466
August 1, 2019	470,000	3,611,575	$2,320,000	1,525,891	7,927,466
February 1, 2020	--	3,602,175	--	1,502,691	5,104,866
August 1, 2020	465,000	3,602,175	2,370,000	1,502,691	7,939,866
February 1, 2021	--	3,592,875	--	1,478,991	5,071,866
August 1, 2021	250,000	3,592,875	2,415,000	1,478,991	7,736,866
February 1, 2022	--	3,587,875	--	1,448,803	5,036,678
August 1, 2022	260,000	3,587,875	2,475,000	1,448,803	7,771,678
February 1, 2023	--	3,582,675	--	1,411,678	4,994,353
August 1, 2023	270,000	3,582,675	3,800,000	1,411,678	9,064,353
February 1, 2024	--	3,577,275	--	1,354,678	4,931,953
August 1, 2024	280,000	3,577,275	4,125,000	1,354,678	9,336,953
February 1, 2025	--	3,571,675	--	1,292,803	4,864,478
August 1, 2025	295,000	3,571,675	4,605,000	1,292,803	9,764,478
February 1, 2026	--	3,565,775	--	1,223,728	4,789,503
August 1, 2026	305,000	3,565,775	4,535,000	1,223,728	9,629,503
February 1, 2027	--	3,559,675	--	1,133,028	4,692,703
August 1, 2027	320,000	3,559,675	4,900,000	1,133,028	9,912,703
February 1, 2028	--	3,551,675	--	1,035,028	4,586,703
August 1, 2028	335,000	3,551,675	5,265,000	1,035,028	10,186,703
February 1, 2029	--	3,543,300	--	956,053	4,499,353
August 1, 2029	350,000	3,543,300	5,605,000	956,053	10,454,353
February 1, 2030	--	3,534,550	--	871,978	4,406,528
August 1, 2030	6,065,000	3,534,550	3,195,000	871,978	13,666,528
February 1, 2031	--	3,382,925	--	824,053	4,206,978
August 1, 2031	6,365,000	3,382,925	2,825,000	824,053	13,396,978
February 1, 2032	--	3,223,800	--	781,678	4,005,478
August 1, 2032	6,685,000	3,223,800	4,500,000	781,678	15,190,478
February 1, 2033	--	3,056,675	--	714,178	3,770,853
August 1, 2033	7,020,000	3,056,675	4,990,000	714,178	15,780,853
February 1, 2034	--	2,881,175	--	639,328	3,520,503
August 1, 2034	7,370,000	2,881,175	5,115,000	639,328	16,005,503
February 1, 2035	--	2,696,925	--	559,406	3,256,331
August 1, 2035	7,740,000	2,696,925	5,325,000	559,406	16,321,331
February 1, 2036	--	2,503,425	--	476,203	2,979,628
August 1, 2036	8,125,000	2,503,425	5,610,000	476,203	16,714,628
February 1, 2037	--	2,300,300	--	388,547	2,688,847
August 1, 2037	8,530,000	2,300,300	5,100,000	388,547	16,318,847
February 1, 2038	--	2,129,700	--	302,484	2,432,184
August 1, 2038	8,875,000	2,129,700	5,800,000	302,484	17,107,184
February 1, 2039	--	1,952,200	--	204,609	2,156,809
August 1, 2039	9,225,000	1,952,200	6,000,000	204,609	17,381,809
February 1, 2040	--	1,767,700	--	103,359	1,871,059
August 1, 2040	9,595,000	1,767,700	6,125,000	103,359	17,591,059
February 1, 2041	--	1,575,800	--	--	1,575,800
August 1, 2041	9,980,000	1,575,800	--	--	11,555,800
February 1, 2042	--	1,376,200	--	--	1,376,200
August 1, 2042	10,380,000	1,376,200	--	--	11,756,200

Payment Date	Refunding Bonds Principal	Refunding Bonds Interest	Series B Bonds Principal	Series B Bonds Interest	Total
February 1, 2043	--	1,168,600	--	--	1,168,600
August 1, 2043	10,790,000	1,168,600	--	--	11,958,600
February 1, 2044	--	952,800	--	--	952,800
August 1, 2044	11,220,000	952,800	--	--	12,172,800
February 1, 2045	--	728,400	--	--	728,400
August 1, 2045	11,665,000	728,400	--	--	12,393,400
February 1, 2046	--	495,100	--	--	495,100
August 1, 2046	12,135,000	495,100	--	--	12,630,100
February 1, 2047	--	252,400	--	--	252,400
August 1, 2047	12,620,000	252,400	--	--	12,872,400
Total	$168,710,000	$167,713,147	$97,000,000	$47,638,557	$481,061,704

PLAN OF FINANCE

Net proceeds of the Refunding Bonds will be applied to advance refund and defease the Refunded Series 2008A Bonds, being those Series 2008A Bonds maturing on August 1, 2019, August 1, 2020, August 1, 2032, August 1, 2038, and August 1, 2047, and to pay certain costs of issuing the Refunding Bonds.

Net proceeds of the Series B Bonds will be applied, together with other funds on deposit, to pay and defease the 2013 BANs at their January 1, 2018 maturity date, to fund additional Proposition O projects, and to pay certain costs of issuing the Series B Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Net proceeds of the sale of the Refunding Bonds in an aggregate amount sufficient to advance refund and defease the Refunded Series 2008A Bonds will be deposited in an irrevocable escrow fund (the "2008A Escrow Fund") established by the School District with MUFG Union Bank, N.A. (the "Escrow Bank"), pursuant to an Escrow Agreement dated as of the Closing Date (the "2008 Escrow Agreement"), by and between the School District and the Escrow Bank. Amounts in the 2008A Escrow Fund will be substantially invested in U.S. Treasury securities, with the remainder held uninvested, and applied to pay the interest on the Refunded Series 2008A Bonds on each interest payment date prior to August 1, 2018, and to pay the redemption price thereof on August 1, 2018, as verified by Causey Demgen & Moore P.C. (the "Verification Agent"), an independent firm of certified public accountants.

Net proceeds of the sale of the Series B Bonds together with other funds on deposit with respect to the 2013 BANs, if any, in an aggregate amount sufficient to refund the 2013 BANs will be deposited in an irrevocable escrow fund (the "2013 Escrow Fund") established by the School District with the Escrow Bank, pursuant to an Escrow Agreement dated as of the Closing Date (the "2013 Escrow Agreement" and, together with the 2008 Escrow Agreement, the "Escrow Agreements"), by and between the School District and the Escrow Bank. Amounts in the 2013 Escrow Fund will be substantially invested in U.S. Treasury securities, with the remainder held uninvested, and applied to pay the interest on the 2013 BANs on each interest payment date prior to January 1, 2018, and to pay the principal of and interest thereon coming due, in full, on January 1, 2018, as verified by the Verification Agent.

See "ESTIMATED SOURCES AND USES OF FUNDS" and "CONCLUDING INFORMATION – Escrow Verification."

The monies held under the Escrow Agreements are not available for the payment of principal of and interest on the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the Bonds, and other funds on deposit with respect to the 2013 BANs and the Refunded Series 2008A Bonds, are set forth in the following table:

Sources of Funds	**Refunding Bonds**	**Series B Bonds**
Principal Amount of Bonds	$168,710,000.00	$97,000,000.00
Original Issue Premium	14,150,902.80	762,502.25
Transfer Attributed to Refunded Series 2008A Bonds	--	--
Transfer Attributed to 2013 BANs	--	1,347,045.36
Total Sources	$182,860,902.80	$99,109,547.61
Uses of Funds		
Escrow Fund	$181,831,907.77	$35,311,663.95
Building Fund	--	62,847,701.95
Underwriter's Discount	668,090.76	424,859.69
Bond Insurance Premium	--	290,981.77
Other Costs of Issuance [(1)]	360,904.27	234,340.25
Total Uses	$182,860,902.80	$99,109,547.61

(1) Includes legal fees and other consultant fees, rating agency fees, printing fees and other miscellaneous fees and expenses.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Description

The Bonds are general obligations of the District secured by *ad valorem* tax revenues levied and collected pursuant to the California Constitution, the Act, the 2006 Bond Authorization and State law, and do not constitute an obligation of the County except as provided in each respective Bond Resolution. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

The Refunding Bonds are secured by payments of principal and interest provided in Resolution No. 4402 with respect to the Refunding Bonds and the Series B Bonds are secured by payments of principal and interest provided in Resolution No. 4403 with respect to the Series B Bonds. On November 7, 2006, qualified electors of the District approved the 2006 Bond Authorization, authorizing the issuance of not to exceed $644,000,000 aggregate principal amount of general obligation bonds. Following the issuance of the Series B Bonds, the District will have $367,000,000 aggregate principal amount of the general obligation bonds authorized by the 2006 Bond Authorization not yet issued. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

In order to provide sufficient funds for repayment of principal and interest when due on each respective Series of Bonds, the Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. The County must annually certify to the Board of Supervisors the assessed value of all taxable property in the County situated in the District's boundaries. The Board of Supervisors must levy upon the property of the District the rate of tax that will be sufficient to raise not less than the amount needed to pay the interest and any portion of the principal of each respective

Series of Bonds that is to become due during the year. When collected, the tax revenues will be deposited by the County into the respective Debt Service Fund, which are required to be maintained by the County, and to be used solely for the payment of the corresponding Series of Bonds. See APPENDIX F – COUNTY OF SAN DIEGO INVESTMENT POOL DISCLOSURE."

Pledge of Tax Revenues

Pursuant to the California Constitution, the Act, the 2006 Bond Authorization, the Government Code and, Sections 15250 *et seq*. of the Education Code, the County shall cause to be levied on all the taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* tax annually during the period the Bonds are Outstanding in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds when due, which tax revenues when collected will be deposited by the County into the respective Debt Service Fund (as described in the respective Bond Resolution) relating to the corresponding Series of Bonds, which fund is irrevocably pledged for the payment of the principal of, premium, if any, and interest on the corresponding Series of Bonds when and as the same fall due along with administrative costs and expenses for the corresponding Series of Bonds including fees and expenses of the Paying Agent.

The monies in each respective Debt Service Fund, to the extent necessary to pay the principal of, and interest on, the corresponding Series of Bonds as the same become due and payable, shall be transferred by the Paying Agent, who in turn, shall pay such monies to DTC to pay the principal of, and interest on, the Bonds when due. DTC will thereupon make payments of principal of, and interest on, the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Bonds. Any monies remaining in each respective Debt Service Fund after the corresponding Series of Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund of the District pursuant to Education Code Section 15235 or any successor section thereto.

The Bonds are obligations of the District, secured by *ad valorem* taxes levied and collected pursuant to State law or other sources as set forth above. The Bonds do not constitute an obligation of the County except to provide for the levy and collection of the *ad valorem* taxes as provided under State law. No part of any fund of the County is pledged or obligated to the payment of the Bonds. There is no debt service reserve fund established for either Series of the Bonds.

In addition to the 2006 Bond Authorization, 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 (the "2000 Bond Authorization") pursuant to a bond measure designated as "Proposition BB." Three series of general obligation bonds (the "Proposition BB Bonds") were issued under the 2000 Bond Authorization, consisting of $153,570,000 in serial bonds and $33,429,415 in capital appreciation bonds, with interest rates ranging from 3.44% to 5.27%. In addition, the District issued two series of general obligation refunding bonds in 2011 and 2014. There is no remaining additional bonding capacity under the 2000 Bond Authorization. As of June 30, 2015, $166,070,908 principal amount of the Proposition BB Bonds was outstanding. The District, through the County, has under these two separate general obligation bond authorizations previously issued $367 million aggregate initial principal amount of general obligation bonds payable from *ad valorem* property taxes levied and collected by the County on taxable property within the District of which approximately $346 million is currently outstanding. See "TAX BASE FOR REPAYMENT OF THE BONDS" including the information under the caption "Direct and Overlapping Debt."

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), all general obligation bonds issued by local agencies, including refunding bonds (including the Refunding Bonds), will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Education Code Section 15251 provides for a similar lien for bonds issued and sold by school districts (including the Series B Bonds) pursuant to Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code. Section 53515 of the Government Code and Section 15251 of the Education Code provide that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 and Section 15251 further provide that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency or school district, as applicable, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, AGM will issue its Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 8, 2015, Moody's published a credit opinion maintaining its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Capitalization of AGM. At December 31, 2015, AGM's policyholders' surplus and contingency reserve were approximately $3,798 million and its net unearned premium reserve was approximately $1,597 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at **http://www.sec.gov**, at AGL's website at **http://www.assuredguaranty.com**, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

CERTAIN INFORMATION REGARDING DISTRICT PROPERTY TAX BASE

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal of and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. However, some special classes of property are assessed by the State Board of Equalization.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed.

Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property.

Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property. California law requires that the assessment roll be finalized by August 20 of each year.

Until 2011, California law provided that a city or county could create a redevelopment agency in territory within one or more school districts. In general terms, upon formation of a "project area" of a redevelopment agency, most property tax revenues thereafter attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") would belong to the redevelopment agency, causing a loss of potential tax revenues to other local taxing agencies, including school districts, from that time forward. For "revenue limit" districts, like the District, any loss of local property taxes is made up by an increase in State equalization aid, until the base revenue limit was reached. (For basic aid districts, unlike the District, the loss of tax revenues is not reimbursed by the State.) In neither case are taxes collected for payment of debt service on school bonds affected or diverted. As an offset to this allocation of property tax revenues, school districts were permitted to enter into "pass-through agreements" with their local redevelopment agencies, or otherwise allocated similar pass-through payments by statute, in order to provide for a portion of the tax increment revenue that would otherwise belong to the redevelopment agency (provided such revenue is not pledged and needed to pay debt service on obligations of the redevelopment agency). With the enactment of ABX1 26 and ABX1 27, and pending California Supreme Court review of such legislation, the status of California redevelopment agencies and certain existing obligations are uncertain. Pursuant to the terms of ABX1 26 as enacted, the school districts that have entered into "pass-through agreements" or otherwise received pass-through revenues by statute before the enactment of ABX1 26 and ABX1 27 would continue to receive such portion of the tax increment revenues. Such matters are currently before the California Supreme Court and subject to further litigation and judicial determination and the District cannot make any assurances as to the availability of such pass-through revenues. A purpose of ABX1 26, however, was to dissolve California redevelopment agencies and eliminate the ability of redevelopment agencies to collect such tax increment and, therefore, to allow such revenues to flow to local taxing entities including the District.

Economic and other factors beyond the District's control could cause reductions in the assessed value of taxable property within the District and changes in such property tax base. Historical assessed valuations, historical rates of increase or decline in such valuations and historical tax base characteristics are not necessarily reliable indicators of future valuations, rates and characteristics. No assurance can be given that the assessed valuation of property within the District and/or the property tax base in the District will not change in the future.

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 Bonds will be 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 as either "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 County 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 County 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 APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – Constitutional and Statutory Provisions Affecting District Revenues and Appropriations."

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 2011-12 Through 2015-16

Fiscal Year	Local Secured	Utility	Unsecured	Total
2011-12	$33,284,178,482	$474,035,562	$1,137,543,619	$34,895,757,663
2012-13	33,181,516,963	413,594,818	1,057,857,704	34,652,969,485
2013-14	34,183,445,875	387,523,100	1,092,353,711	35,663,322,686
2014-15	36,257,884,648	330,083,100	1,076,538,748	37,664,506,496
2015-16	38,216,222,481	399,962,367	1,084,487,896	39,700,672,744

Source: California Municipal Statistics, Inc.

SWEETWATER UNION HIGH SCHOOL DISTRICT
2015-16 Assessed Valuation By Jurisdiction[(1)]

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Chula Vista	$24,455,998,641	61.60%	$ 24,455,998,641	100.00%
City of Coronado	628,732	0.00	7,747,787,828	0.01
City of Imperial Beach	1,675,407,878	4.22	1,675,407,878	100.00
City of National City	3,442,331,058	8.67	3,442,331,058	100.00
City of San Diego	7,763,489,073	19.56	208,955,746,525	3.72
Unincorporated San Diego County	2,362,817,362	5.95	63,866,673,739	3.70
Total District	$39,700,672,744	100.00%		
San Diego County	$39,700,672,744	100.00%	$442,550,458,349	8.97%

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

SWEETWATER UNION HIGH SCHOOL DISTRICT
2015-16 Secured Assessed Valuation and Parcels By Land Use

	2015-16 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 231,084,264	0.60%	466	0.45%
Commercial	4,487,185,429	11.74	2,523	2.43
Vacant Commercial	208,626,241	0.55	455	0.44
Industrial	2,554,272,818	6.68	1,351	1.30
Vacant Industrial	456,762,395	1.20	672	0.65
Recreational/Golf	151,348,032	0.40	135	0.13
Government/Social/Institutional	130,849,104	0.34	1,964	1.89
Miscellaneous	23,332,436	0.06	290	0.28
Subtotal Non-Residential	$ 8,243,460,719	21.57%	7,856	7.55%
Residential:				
Single Family Residence	$21,188,657,273	55.44%	67,398	64.81%
Condominium/Townhouse	4,294,662,855	11.24	19,540	18.79
Mobile Home	129,858,813	0.34	1,977	1.90
Mobile Home Park	179,973,038	0.47	95	0.09
2-4 Residential Units	1,113,038,931	2.91	4,309	4.14
5+ Residential Units/Apartments	2,743,094,287	7.18	1,184	1.14
Miscellaneous Residential	4,874,043	0.01	201	0.19
Vacant Residential	318,602,522	0.83	1,429	1.37
Subtotal Residential	$29,972,761,762	78.43%	96,133	92.45%
Total	$38,216,222,481	100.00%	103,989	100.00%

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

Assessed Valuation of Single-Family Residential Properties. The following table shows the secured assessed valuation of single-family residential properties only in the District for Fiscal Year 2015-16.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Per Parcel 2015-16 Secured Assessed Valuation of Single Family Homes

	No. of Parcels	2015-16 Secured Assessed Valuation	Average Secured Assessed Valuation	Median Secured Assessed Valuation
Single Family Residential	67,398	$21,188,657,273	$314,381	$307,162

2015-16 Secured Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	1,418	2.104%	2.104%	$ 59,432,572	0.280%	0.280%
$50,000 - $99,999	7,133	10.583	12.687	505,194,762	2.384	2.665
$100,000 - $149,999	4,722	7.006	19.693	596,372,624	2.815	5.479
$150,000 - $199,999	5,920	8.784	28.477	1,045,090,497	4.932	10.412
$200,000 - $249,999	6,556	9.727	38.204	1,476,886,637	6.970	17.382
$250,000 - $299,999	6,840	10.149	48.353	1,878,106028	8.864	26.246
$300,000 - $349,999	7,711	11.441	59.794	2,503,599,798	11.816	38.061
$350,000 - $399,999	7,396	10.974	70.768	2,765,909,693	13.054	51.115
$400,000 - $449,999	6,368	9.448	80.216	2,698,886,190	12.737	63.852
$450,000 - $499,999	4,595	6.818	87.034	2,170,476,008	10.244	74.096
$500,000 - $549,999	2,934	4.353	91.387	1,532,216,954	7.231	81.327
$550,000 - $599,999	2,021	2.999	94.386	1,151,659,213	5.435	86.763
$600,000 - $649,999	1,410	2.092	96.478	875,768,374	4.133	90.896
$650,000 - $699,999	757	1.123	97.601	509,422,162	2.404	93.300
$700,000 - $749,999	511	0.758	98.359	367,711,755	1.735	95.035
$750,000 - $799,999	334	0.496	98.855	257,542,291	1.215	96.251
$800,000 - $849,999	230	0.341	99.196	188,338,734	0.889	97.140
$850,000 - $899,999	161	0.239	99.435	139,994,916	0.661	97.800
$900,000 - $949,999	70	0.104	99.539	64,438,038	0.304	98.105
$950,000 - $999,999	55	0.082	99.620	53,117,991	0.251	98.355
$1,000,000 and greater	256	0.380	100.000	348,492,036	1.645	100.000
Total	67,398	100.000%		$21,188,657,273	100.000%	

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

Largest Taxpayers in District. The twenty taxpayers in the District with the greatest combined ownership of taxable property on the 2015-16 tax roll, and the assessed valuation of property of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. As shown below, no single taxpayer owned more than 0.61% of the total taxable property in the District. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control.

The following table shows the 20 largest secured taxpayers within the District, as determined by the secured assessed valuation in Fiscal Year 2015-16.

SWEETWATER UNION HIGH SCHOOL DISTRICT
2015-16 Twenty Largest Secured Taxpayers

	Property Owner	Primary Land Use	2015-16 Assessed Valuation	% of Total[(1)]
1.	Rohr Inc.	Industrial	$ 232,806,153	0.61%
2.	Chelsea San Diego Finance LLC	Shopping Center	211,305,740	0.55
3.	One Park Apartments LP	Apartments	151,889,993	0.40
4.	Centermark Properties Inc.	Shopping Center	138,086,180	0.36
5.	Kreutzkamp Revocable 2000 Trust	Apartments	133,758,591	0.35
6.	GGP-Otay Ranch LP	Shopping Center	119,330,990	0.31
7.	Brisa Acquisitions LLC	Industrial	118,281,029	0.31
8.	Plaza Bonita LLC	Shopping Center	114,719,164	0.30
9.	Regulo Place Apartments Investors LLC	Apartments	100,283,129	0.26
10.	Vista Pacific Villas LP	Apartments	91,951,717	0.24
11.	Wal-Mart Real Estate Business Trust	Commercial	88,484,655	0.23
12.	Olympic Pointe West Communities LLC	Apartments	88,422,185	0.23
13.	BRE-FMCA LLC	Apartments	76,216,169	0.20
14.	Chula Vista Center LP	Shopping Center	72,709,304	0.19
15.	Casoleil LP	Apartments	68,773,365	0.18
16.	Costco Wholesale Corporation	Commercial	67,880,316	0.18
17.	Pasha Automotive Services	Industrial	67,385,178	0.18
18.	Camden USA Inc.	Apartments	67,081,961	0.18
19.	Home Depot USA Inc.	Commercial	55,537,563	0.15
20.	PVHR LLC	Assisted Living Facility	54,355,245	0.14
			$2,119,258,627	5.55%

(1) 2015-16 Local Secured Assessed Valuation: $38,216,222,481.
Source: California Municipal Statistics, Inc.

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 representative tax rate areas within the District, Tax Rate Area 1-245 and 1-265, and Tax Rate Area 1-000, for fiscal years 2011-12 through 2015-16.

Typical Tax Rates per $100 Assessed Valuation (TRAs 1-245 and 1-265)

	2011-12	2012-13	2013-14	2014-15	2015-16
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000
Southwestern Community College District	.03308	.03753	.03675	.03582	.03961
Chula Vista Elementary School District	.02594	.02526	.02259	.02006	.01898
Sweetwater Union High School District	.06079	.05862	.05823	.05407	.05169
Otay Water District	.00500	.00500	.00500	.00500	.00400
Metropolitan Water District of Southern California	.00370	.00350	.00350	.00350	.00350
Total Tax Rate	1.12851	1.12991	1.12607	1.11845	1.11778

Typical Tax Rates per $100 Assessed Valuation (TRA 1-000)

	2011-12	2012-13	2013-14	2014-15	2015-16
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000
Southwestern Community College District	.03308	.03753	.03675	.03582	.03961
Chula Vista Elementary School District	.02594	.02526	.02259	.02006	.01898
Chula Vista Elementary School District SFID No. 2012-1	--	--	.02372	.02747	.02403
Sweetwater Union High School District	.06079	.05862	.05823	.05407	.05169
Metropolitan Water District of Southern California	.00370	.00350	.00350	.00350	.00350
Total Tax Rate	1.12351	1.12491	1.14479	1.14092	1.13781

2015-16 Assessed Valuation of TRA 1-245 is $2,374,217,900 which is 5.98% of the district's total assessed valuation.
2015-16 Assessed Valuation of TRA 1-265 is $4,208,476,251 which is 10.60% of the district's total assessed valuation.
2015-16 Assessed Valuation of TRA 1-000 is $2,286,097,401 which is 5.76% of the district's total assessed valuation.
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 general obligation bonds issued under the 2006 Bond Authorization, and the 2000 Bond Authorization, is similarly exempt from the 1% tax limitation.

For additional information, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015. Unless otherwise indicated, the financial, statistical and demographic data included in this Official Statement 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 for inspection and for reproduction upon payment of applicable fees by contacting the District.

As a high school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any such bonds is included when calculating the District's bonding capacity. Based on the District's Fiscal Year 2015-16 assessed valuation of $39.7 billion, its gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is currently estimated at $131.3 million (taking into account the amount of debt outstanding prior to the issuance of the Bonds and the refunding of the Refunded Series 2008A Bonds and the 2013 BANs).

Tax Collections

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in Fiscal Year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $23 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

The following table shows real property tax charges with respect to property located in the District for the fiscal years 2010-11 through 2014-15. The County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest. See "Teeter Plan" below.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Secured Tax Charges
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Secured Tax Charge[1]
2010-11	$58,535,025.77
2011-12	57,870,992.46
2012-13	58,025,045.59
2013-14[2]	59,500,071.95
2014-15[2]	63,121,909.27

(1) 1% General Fund apportionment.
(2) The County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the county retaining all penalties and interest.
Source: California Municipal Statistics, Inc.

Teeter Plan. The County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan." The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The County Board of Supervisors adopted the Teeter Plan on June 29, 1993. The County's Teeter Plan applies to the District and to its outstanding general obligation bonds.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a *pro rata* adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of January 1, 2016. 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

2015-16 Assessed Valuation: $39,700,672,744

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/16
Metropolitan Water District of Southern California	1.546%	$ 1,707,230
Otay Municipal Water District, Improvement District No. 27	100.	4,580,000
San Diego Community College District	0.002	25,320
Southwestern Community College District	83.671	281,338,446
Sweetwater Union High School District	100.	329,596,637
Chula Vista City School District and School Facilities Improvement District No. 2012-1	100.	93,505,000
National School District	100.	18,000,000
San Ysidro School District	100.	131,872,132
South Bay Union School District	100.	33,487,633
City of National City	100.	4,155,000
Sweetwater Union High School District Community Facilities Districts	100.	131,415,000
Y/S School Facilities Financing Authority Chula Vista School Project	100.	3,120,000
City of Chula Vista Community Facilities Districts	100.	137,605,000
City of Chula Vista 1915 Act Bonds	100.	9,815,000
Other Cities and Special District 1915 Act Bonds	100.	10,844,543
TOTAL DIRECT & OVERLAPPING TAX AND ASSESSMENT DEBT		$1,191,066,941
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Diego County General Fund Obligations	8.971%	$ 30,266,808
San Diego County Pension Obligation Bonds	8.971	58,298,941
San Diego County Superintendent of Schools Certificates of Participation	8.971	1,307,972
Otay Municipal Water District Certificates of Participation	74.245	32,341,122
Southwestern Community College District General Fund Obligations	83.671	819,976
Sweetwater Union High School District General Fund Obligations	100.	42,165,000
Chula Vista City School District Certificates of Participation	100.	128,550,000
San Ysidro School District Certificates of Participation	100.	38,956,495
City of Chula Vista Certificates of Participation	100.	104,450,000
City of National City Certificates of Participation	100.	1,425,000
City of San Diego General Fund Obligations	3.715	23,284,506
San Miguel Consolidated Fire Protection District Certificates of Participation	0.274	8,713
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$461,874,533
Less: Otay Municipal Water District Certificates of Participation		32,341,122
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$429,533,411
OVERLAPPING TAX INCREMENT DEBT:		
Chula Vista Redevelopment Agency	100. %	$ 37,465,000
Imperial Beach Redevelopment Agency	100.	38,260,000
National City Redevelopment Agency	100.	54,280,000
San Diego Redevelopment Agency Housing Bonds	9.371	5,352,715
San Diego Redevelopment Agency San Ysidro Project Area	100.	7,415,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		$142,772,715
GROSS COMBINED TOTAL DEBT		$1,795,714,189[1]
NET COMBINED TOTAL DEBT		$1,763,373,067

[1] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:
- Direct Debt ($329,596,637).......0.83%
- Total Direct Overlapping Tax and Assessment Debt.......3.00%
- Combined Direct Debt ($371,761,637).......0.94%
- Gross Combined Total Debt.......4.52%
- Net Combined Total Debt.......4.44%

Ratios to Redevelopment Incremental Valuation ($4,416,184,492):
- Total Overlapping Tax Increment Debt.......3.23%

Source: California Municipal Statistics, Inc.

Possible Limitations on Remedies; Bankruptcy

General. State law contains a number of safeguards to protect the financial solvency of school districts. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Budget Process and County Review." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the District for the adjustment of its debts, assuming that the District meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9 of the Bankruptcy Code. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary to pay the Bonds. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

As indicated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, a school district is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the District's general obligation bonds and for no other purpose. If this restriction on the expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the District for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to Section 53515 of the Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), all general obligation bonds issued by local agencies, including refunding bonds (including the Refunding Bonds), will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Education Code Section 15251 provides for a similar lien for bonds issued and sold by school districts (including the Series B Bonds) pursuant to Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code. Section 53515 of the Government Code and Section 15251 of the Education Code provide that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Statutory Lien on Taxes (Senate Bill 222)." However, such a lien does not prevent the application of such taxes to pay the Bonds from being stayed during a proceeding under Chapter 9 of the Bankruptcy Code (unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the

Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code).

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Tax Revenues") are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the pledged *ad valorem* revenues collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The *ad valorem* taxes levied for payment of the Bonds are permitted under the State Constitution only where the applicable bond proposition is approved by the voters and such proposition is required to contain a specific list of school facilities projects if approval is required by only 55% of the voters. State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the holders of the Bonds.

Comingling Risks. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay such tax revenues to the holders of the Bonds, it is not entirely clear what procedures the holders of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

Opinion of Bond Counsel. The proposed forms of opinion of Bond Counsel, attached hereto as Appendix E, are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Before any State Superintendent appointed administrator may file for bankruptcy on behalf of a school district, certain steps have to be taken under California law. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Budget Process and County Review." The above discussion of certain considerations relating to potential bankruptcies of school districts in California is not intended to constitute an exhaustive discussion of the potential application of Federal bankruptcy law to the District.

Amounts Held in County Treasury Pool

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Treasury Pool, as described in APPENDIX F – "COUNTY OF SAN DIEGO INVESTMENT POOL DISCLOSURE." Should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, and based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of Code. In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; however Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. 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 Bonds may affect the tax status of interest on the Bonds.

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

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the recipient's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Bonds.

Certain requirements and procedures contained or referred to in the respective Bond Resolution and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to the effect on any Bond or the interest thereon if any such change occurs or action is taken upon advice or approval of bond counsel other than Bond Counsel.

The opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, Bond Counsel to the District, approving the validity of the Bonds, in substantially the form appearing in Appendix E hereto, will be supplied to the original purchasers of the Bonds without cost. See APPENDIX E – "PROPOSED FORMS OF OPINIONS OF BOND COUNSEL" for each proposed form of the opinion of Bond Counsel. A copy of the legal opinion will be attached at the end of each Bond. The payment of fees of Bond Counsel is contingent upon the closing of the Bonds transaction.

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

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the District and its appointed counsel, including the Owners, would have little, if any, right to participate in such an Internal Revenue Service audit examination process. Moreover, because achieving judicial review in connection with an Internal Revenue Service audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Owners to incur significant expense.

Original Issue Discount; Premium Bonds

The initial public offering price of the Bonds may be less than the amount payable with respect to such Bonds at maturity. An amount not less than the difference between the initial public offering price of a Bond and the amount payable at the maturity of such Bond constitutes original issue discount. Original issue discount on a tax-exempt obligation, such as the Bonds, accrues on a compounded basis. The amount of original issue discount that accrues to the owner of a Bond issued with original issue discount will be excludable from such owner's gross income and will increase the owner's adjusted basis in such Bond potentially affecting the amount of gain or loss realized upon the owner's sale or other disposition of such Bond. The amount of original issue discount that accrues in each year is not included as a tax preference for purposes of calculating alternative minimum taxable income and may therefore affect a taxpayer's alternative minimum tax liability. Consequently, taxpayers owning the Bonds issued with original issue discount should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the taxpayer has not received cash attributable to such original issue discount in such year.

Purchasers should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount properly accruable with respect to the Bonds, other federal income tax consequences of owning tax-exempt obligations with original issue discount and any state and local consequences of owning the Bonds.

The 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.

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. In 2011 through 2014, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt State or local obligations, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

Internal Revenue Service Audit of 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 target audits. In recent years, the Internal Revenue Service completed two audits of the District's bonded indebtedness, including the Series 2008A Bonds, with no change to the excludability of the interest on the bonds from gross income for federal income tax purposes.

It is possible that the Bonds, or a Series of the Bonds, will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds, or a Series of the Bonds, might be affected as a result of such an audit of the Bonds, or a Series of the Bonds (or by an audit of similar bonds or securities).

Information Reporting and Backup Withholding

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

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

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the District. A complete copy of each proposed form of Bond Counsel opinion is set forth in APPENDIX E – "PROPOSED FORMS OF OPINIONS OF BOND COUNSEL." Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2014-15 Fiscal Year (which is due not later than April 1, 2016), provide to the MSRB an Annual Report (with the delivery of this Official Statement constituting the annual report for 2014-15 fiscal year) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

In the preceding five years, the District and the Sweetwater Union High School District Public Financing Authority failed to timely comply in certain material respects with its previous undertakings with regard to said Rule to provide annual reports or notices of Notice Events in limited instances and has attributed these failures to the untimely receipt of information from third-parties. These failures include, without limitation, with respect to its General Obligation Bonds, that the District did not include specified summary overlapping debt and land use information for fiscal years 2008-09 through 2012-13 in its corresponding annual reports, with respect to its Certificates of Participation (1997 Capital Improvements Financing) ("1997 Certificates") and, as concerning certain rating changes, failed to timely provide notices of Notice Events. The District has undertaken a review of its continuing disclosure obligations and filings as part of this process and has taken steps to implement procedures to better meet its obligations under the Rule, including consolidating its dissemination agent responsibilities with Special District Financing & Administration, as dissemination agent. Previously omitted material information has been posted to the EMMA System.

No Litigation

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District. No litigation is pending or, to the knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or affecting the validity of the officers in power at the time of the adoption of the Resolution approving the issuance of the Bonds; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the payment of the Bonds as contemplated by the Bond Resolutions, or in any way contesting or affecting the validity or enforceability of the Bonds or the Bond Resolutions or contesting the powers of the District or its authority with respect to the Bonds or the Bond Resolutions or (iii) in which a final adverse decision could (a) result in any material adverse change in excess of $1,000,000 relating to the financial condition of the District, (b) materially adversely affect the consummation of the transactions contemplated by Bond Resolutions and related documents, (c) declare the District Documents to be invalid or unenforceable in whole or in material part, or (d) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

The District will furnish a certificate at the time of the original delivery of the Bonds that (i) no litigation is pending concerning the validity of the 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 Bonds.

MISCELLANEOUS

Ratings

S&P, Moody's and Fitch Ratings, Inc. ("Fitch") have assigned the Bonds the underlying municipal bond ratings of "A+," "A1" and "AAA," respectively. Such credit ratings reflect only the views of such organizations and any desired explanation of the significance of such credit ratings should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041, Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such credit ratings will continue for any given period or that such credit ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such credit ratings may have an adverse effect on the market price of the Bonds.

In addition, S&P and Moody's are expected to assign their respective ratings of "AA" and "A2," respectively, to the Insured Bonds with the understanding that, upon delivery of the Insured Bonds, the Policy will be issued by AGM. See "BOND INSURANCE." Such ratings are expected to be assigned solely as a result of the issuance of the Policy and would reflect only the respective rating agency's views of the claims-paying ability and financial strength of AGM. Neither the Underwriter nor the District has made any independent investigation of the claims-paying ability of AGM and no representation is made that any insured rating of the Insured Bonds based upon the purchase of the Policy will remain the same. The existence of the Policy will not, of itself, negatively affect the underlying rating. However, any downward revision or withdrawal of any rating of AGM may have an adverse effect on the market price or marketability of the Insured Bonds.

Professionals Involved in the Offering

Bowie, Arneson, Wiles & Giannone, Newport Beach, California is acting as Bond Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed on for the District by Jennifer Carbuccia, General Counsel, Legal Services Division of the District and Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District and for the Underwriter by Jones Hall, A Professional Law Corporation, as Counsel to the Underwriter. The payment of the fees and expenses of Disclosure Counsel and Underwriter's Counsel are also contingent upon the issuance and delivery of the Bonds.

Financial Advisor

The District has retained Fieldman, Rolapp & Associates, of Irvine, California, as financial advisor (the "Financial Advisor") with respect to the execution and delivery of the Bonds, and the Financial Advisor is paid a fee contingent upon the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Escrow Verification

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of the projected payments of principal and interest to retire the Refunded 2008A Bonds and the 2013 BANs will be verified by Causey Demgen & Moore P.C. (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

Underwriting

The Bonds are being purchased for reoffering by Mesirow Financial, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Refunding Bonds pursuant to a Bond Purchase Agreement between the District and the Underwriter at a net purchase price of $182,192,812.04 (representing the par amount of the Refunding Bonds, plus original issue premium of $14,150,902.80 less an underwriter's discount of $668,090.76). The Underwriter has agreed to purchase the Series B Bonds pursuant to a Bond Purchase Agreement between the District and the Underwriter at a net purchase price of $97,337,642.56 (representing the par amount of the Series B Bonds, plus original issue premium of $762,502.25 less an underwriter's discount of $424,859.69). Each Bond Purchase Agreement sets forth certain representations and agreements of both the District and the Underwriter, and certain conditions to closing. The Underwriter has certified to the District that the Bonds have been offered to the public and that a representative portion of the Bonds has been actually sold at the initial offering prices or yields stated on the inside cover page hereof. The District takes no responsibility for the accuracy of these prices or yields. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Additional Information

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. Quotations from and summaries and explanations of the Bonds, the Bond Resolutions and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof. Copies of such documents may be obtained for inspection during the period of initial offering on the Bonds through the Underwriter. Thereafter, copies of such documents may be obtained for inspection and for reproduction upon payment of applicable fees at the office of the office of the Chief Financial Officer of the Sweetwater Union High School District, 1130 Fifth Avenue, Chula Vista, California 91911.

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 Bonds.

All data contained herein have been taken or constructed from the District's records and other sources, as indicated. This Official Statement and its distribution have been duly authorized and approved by the District.

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: /s/ Karen Michel
Chief Financial Officer

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this Appendix concerning the operations of the Sweetwater Union High School District (the "District"), the District's finances and State of California (the "State") funding of education is provided as supplementary information. It should not be inferred from the inclusion of this information in the Official Statement that the Bonds will be payable from the general fund of the District or from State revenues or that the District is in any way obligated to repay the Bonds from such funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The Sweetwater Union High School District was established in 1920 and is located in the southern portion of San Diego County. The District consists of approximately 153 square miles. The District provides education for grades 7 through 12 and is currently operating twelve comprehensive high schools, one continuation school, ten middle schools, one junior high school, five adult education programs and four alternative education schools. Two charter schools also operate within the District boundaries.

As of Fiscal Year 2015-16, the District serves approximately 40,007 students in grades 7 to 12 and approximately 10,375 adult learners in the communities of Bonita, Chula Vista, Eastlake, Imperial Beach, National City, Otay Mesa, South San Diego and San Ysidro. The District's estimated average daily attendance for Fiscal Year 2015-16 is 38,205 and taxable property within the District has a Fiscal Year 2015-16 assessed valuation of $39,700,672,744. The District has budgeted Fiscal Year 2015-16 general fund expenditures of approximately $450,277,944.

The District is governed by a Board of Trustees (the "Board"). The Board consists of five members who are elected by trustee area 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 current members of the Board are set forth below:

Name	Office	End of Current Term
Nicholas Segura	President	December 2016
Arturo Solis	Vice President	December 2018
Paula Hall	Board Member	December 2018
Kevin J. Pike	Board Member	December 2016
Frank A. Tarantino	Board Member	December 2018

Certain former Board members were the subject of investigation, indictment and conviction in a probe by the San Diego District Attorney's Office into a "pay for play" culture between contractors and officials from three school districts including, but not limited to, the District. The San Diego District Attorney has alleged that for years, public officials regularly accepted what amounted to bribes in exchange for their votes on multimillion-dollar construction projects. The investigation has involved not less than 15 suspects and subjects of investigation.

Several defendants have entered guilty pleas in the case. Former Board President Jim Cartmill and former Board Member Bertha Lopez pleaded each guilty to the misdemeanor accepting gifts charge. Former Board Member Pearl Quinones, pleaded guilty to a felony conspiracy charge and admitted to a misdemeanor count of accepting gifts above the State limit. Former Board Members Arlie Ricasa and Greg

Sandoval, and former Superintendent Jesus Gandara have also pleaded guilty to a felony conspiracy charge and a misdemeanor count of failing to report gifts they received, as has a construction company executive who admitted to a misdemeanor for providing gifts to school board members to influence their votes.

At a hearing on May 16, 2014, the California Superior Court granted the District's request for an order directing the president of the County Board of Education to appoint trustees to temporarily serve as members of the Board. On May 19, 2014, the president of the County Board of Education appointed four County Board of Education members to serve as trustees to the Board in a temporary capacity, allowing for governance of the District while suspended Board members resolved their respective legal issues. The current Board were voted into their positions at an election in November of 2014 and seated on December 5, 2014.

District Administrators

The Superintendent of the District, appointed by the Board on June 22, 2015, Dr. Karen Janney, is responsible for the administration of the affairs of the District. Other senior administrators include, Karen Michel, Chief Financial Officer.

Dr. Karen Janney, *Superintendent*. Dr. Karen Janney is the Superintendent of the Sweetwater Union High School District. With over 37 years of secondary teaching and administrative experience, Dr. Janney brings a demonstrated record for creating and sustaining dynamic organizational capacity and educational equity, and has served as a teacher, Assistant Principal, Principal and Assistant Superintendent in the District. Most recently, Dr. Janney served as an Executive Coach for the National Center for Urban School Transformation (NCUST) and since 2005, Dr. Janney has been a Lecturer and Supervisor in the San Diego State University (SDSU) Educational Leadership Department. Dr. Janney earned a Bachelor of Arts degree from Point Loma Nazarene University and a Doctor of Education (Ed.D.), Educational Leadership and Administration, General from San Diego State University. Dr. Janney is a graduate of Bonita Vista High School in the District. Dr. Janney has been active in numerous civic and professional organizations during her career, including the California Association of School Business Officers (CASBO), the Association of California School Administrators (ACSA), the National Association of Secondary School Principals (NASSP) and several others. Dr. Janney has been recognized for her work on numerous occasions including being named a Tribute to Women in Industry (TWIN) award winner, the ACSA State Secondary Principal of the Year, the California League of High School Region 9 Educator of the Year and a two-time Sweetwater Union High School District Administrator of the Year.

Karen Michel, *Chief Financial Officer*. Karen Michel was appointed Interim Chief Financial Officer in December 2013 and has served as the District's Chief Financial Officer since June 3, 2014, and prior to that position, was the District's Director of Fiscal Services since August 2007. Ms. Michel has worked with the District's financial services department since 1996, having served as Budget Analyst from June 2000 to July 2007 and as an Accountant from November 1996 to May 2000. Ms. Michel is involved in several professional service organizations including the California Association of School Business Officials (CASBO) and its Finance Research and Development Committee, and the Business and Professional Women's Club. Ms. Michel earned a Bachelor of Science, Business Administration from California State University, Sacramento. Ms. Michel has completed advanced training in California through the Chief Business Officials Academy and the Chief Business Officials Certification Training Program.

District Employees

The District currently employs 2,156 certificated and 1,759 classified employees. The table below sets forth historical employee information for the District for the last five (and current) fiscal years

DISTRICT EMPLOYEES

Fiscal Year	Certificated	Classified	Total
2010-11	2,346	1,634	3,980
2011-12	2,248	1,515	3,763
2012-13	2,213	1,540	3,753
2013-14	2,076	1,503	3,579
2014-15	2,140	1,731	3,871
2015-16	2,156	1,759	3,915

District employees are represented by 3 labor associations. Currently, 99% of all District employees are covered by negotiation agreements, as follows: The District has completed negotiations with each labor association for extensions of these agreements.

Bargaining Unit	Agent	Expiration Date
Certificated employees	California Teachers Ass'n/National Education Ass'n	June 30, 2016
Classified employees	California School Employees Association	June 30, 2016
Supervisors	National Association of Government Employees	June 30, 2016

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 APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process" below.

Approximately 65% of the District's 2013-14 general fund revenues was derived from anticipated State funds determined by student attendance. Approximately 65.5% of the District's 2014-15 general fund revenue was derived from anticipated State funds determined by student attendance. As budgeted, approximately 60% of the District's 2015-16 general fund revenue will be 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 ended June 30, 2006 through June 30, 2015.

SWEETWATER UNION HIGH SCHOOL DISTRICT
ENROLLMENT AND AVERAGE DAILY ATTENDANCE
Fiscal Years 2005-06 through 2014-15

Fiscal Year	Enrollment	ADA	ADA Change From Prior Year	Revenue Limit/ Base Grant
2005-06	41,926	38,620	1.8%	5,934
2006-07	42,101	38,891	0.7	6,369
2007-08	42,288	39,568	2.5	6,660
2008-09	42,443	39,814	3.1	6,486
2009-10	41,909	39,359	(1.1)	5,793
2010-11	41,129	38,806	(0.2)	5,997
2011-12	40,619	38,556	(0.6)	5,998
2012-13	40,925	38,704	0.4	6,028
2013-14	40,116	38,120	(1.5)	7,331
2014-15	40,033	38,040	(0.2)	7,655

Source: The District.

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 cannot 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 and State apportionment amounts.

California Assembly Bill 1200 ("AB 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 AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent 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 County Office of Education for its budget submissions.

The District categorizes its general fund revenues into four sources: (i) Local Control Funding Formula Base Grant 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.

Local Control Funding Formula Sources. In general, the Local Control Funding Formula is calculated for each school district by multiplying (i) its ADA by (ii) a base grant 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 MATTERS – State Funding of Education; State Budget Process" below. The District's local control funding formula base per student for Fiscal Year 2014-15 was $7,655. The District's local control funding formula per student for Fiscal Year 2015-16 is $8,094.

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, were approximately 6.5% of the District's general fund revenues in Fiscal Year 2013-14 and approximately 5.6% of the District's general fund revenues in Fiscal Year 2014-15. The federal revenues, most of which are restricted, are budgeted to equal approximately 5.5% of the District's general fund revenues in Fiscal Year 2015-16.

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 2013-14 revenues from other State sources were approximately 8.6% of its total general fund Revenues. The District's 2014-15 revenues from other State sources were approximately 6.2% of its total general fund Revenues. The funds from other State sources are primarily restricted. The District's 2015-16 budget assumes that revenues from other State sources will be approximately 13% 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 2013-14, the District received $7,663,714 in State Lottery aid. In 2014-15, the District received $7,782,875 for in State Lottery aid and has budgeted $6,885,294 for such aid in 2015-16. 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 accounted for 0.41% of the total general fund revenues for Fiscal Year 2014-15. These revenues are budgeted at 0.31% of the total general fund revenues for Fiscal Year 2015-16.

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. Developer fees are restricted funds.

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 Bond Resolutions will be held in the County Investment Pool and disbursed in accordance with the respective Bond 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 APPENDIX F – "COUNTY OF SAN DIEGO INVESTMENT POOL DISCLOSURE" herein.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "− Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "− Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District budgeted to receive approximately 73% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), budgeted at approximately $334,075,110 in fiscal year 2015-16. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "−Allocation of State Funding to School Districts; Local Control Funding Formula – Attendance and LCFF" and "−Other District Revenues – Other State Revenues" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

Beginning in fiscal year 2011-12, local property tax dollars applicable to the District's revenue limit funding were used to backfill certain cities and counties, resulting in a negative Educational Revenue Augmentation Fund. Such negative Educational Revenue Augmentation Fund is repaid to the District with State aid dollars. See "– Local Sources of Education Funding" below for information.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented a new funding formula for school finance system called the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF"). Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also applies to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2015-16 State budget on June 24, 2015.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over

$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website 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 website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Rainy Day Fund; SB 858. In connection with the 2014-15 State Budget, the Governor proposed certain constitutional amendments ("Proposition 2") to the rainy day fund (the "Rainy Day Fund") for the November 2014 Statewide election. Senate Bill 858 (2014) ("SB 858") amended the Education Code to, among other things, limit the amount of reserves that may be maintained by a school district subject to certain State budget matters. Upon the approval of Proposition 2, SB 858 became operational. See "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Proposition 2" herein.

AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for the California State Teachers' Retirement System ("CalSTRS"), increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See "– Retirement Benefits – CalSTRS" herein for more information about CalSTRS and AB 1469.

2015-16 State Budget. The Governor signed the fiscal year 2015-16 State budget (the "2015-16 State Budget") on June 24, 2015. The 2015-16 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years and setting aside reserves. The 2015-16 State Budget increases spending on education, health care, in-home supportive services, workforce development, drought assistance and the judiciary. The 2015-16 State Budget projects $115 billion in revenues and transfers, a 3% increase over fiscal year 2014-15. By the end of fiscal year 2015-16, the State's Rainy Day Fund is expected to have a balance of approximately $3.5 billion. Under the 2015-16 State Budget, the State is expected to repay the remaining $1 billion in deferrals to schools and community colleges, make the final payment on the $15 billion in Economic Recovery Bonds used to cover budget deficits since 2002, and reduce outstanding mandate liabilities owed to schools and community colleges by $3.8 billion.

As it relates to K-12 education, the 2015-16 State Budget provides total funding of $83.2 billion ($49.7 billion in general funds and $33.5 billion in other funds). The 2015-16 State Budget provides Proposition 98 funding for all K-14 education of $68.4 billion, an increase of $7.6 billion over fiscal year 2014 15. Since fiscal year 2011 12, Proposition 98 funding for K-12 education has grown by more than $18.6 billion, representing an increase of more than $3,000 per student.

Certain budget adjustments for K-12 programs include the following:

- Local Control Funding Formula. An increase of $6 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families and youth in foster care. This increase will close the remaining funding implementation gap by more than 51%.

- Career Technical Education. The 2015-16 State Budget establishes the Career Technical Education ("CTE") Incentive Grant Program and provides $400 million, $300 million and $200 million Proposition 98 general funds in fiscal years 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high quality CTE programs.

- Educator Support. An increase of $500 million in one-time Proposition 98 general funds for educator support. Of this amount, $490 million is for activities that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development aligned to the State academic content standards. These funds will be allocated to school districts, county offices of education, charter schools, and the State special schools in an equal amount per certificated staff and are available for expenditure over the next three years.

- Special Education. The 2015-16 State Budget includes $60.1 million in Proposition 98 general funds ($50.1 million ongoing and $10 million one-time) to implement selected program changes recommended by the task force, making targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.

- K-12 High-Speed Internet Access. An increase of $50 million in one-time Proposition 98 funds to support additional investments in internet connectivity and infrastructure, building on the $26.7 million in one-time Proposition 98 funding that was provided in fiscal year 2014-15. This second installment of funding will further upgrade internet infrastructure to reflect the increasing role that technology plays in classroom operations to support teaching and learning.

- K-12 Mandates. An increase of $3.2 billion in one time Proposition 98 general funds to reimburse K-12 local educational agencies for the costs of State mandated programs. These funds are expected to provide a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- K-12 Deferrals. The 2015-16 State Budget provides $897 million Proposition 98 in general funds to eliminate deferrals consistent with the revenue trigger included in the fiscal year 2014-15 State budget.

The complete 2015-16 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District takes no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Governor's Proposed 2016-17 State Budget. The Governor released his proposed fiscal year 2016-17 State budget (the "2016-17 Proposed State Budget") on January 7, 2016. The 2016-17 Proposed State Budget proposes a balanced budget for Fiscal Year 2016-17. The Governor proposes to use funds to pay down outstanding budgetary borrowing including loans from special funds, Proposition 98 settle up obligations, transportation loans, and pension liabilities related to University of California employees. The 2016-17 Proposed State Budget estimates that total resources available in fiscal year 2015-16 will be approximately $121.2 billion (including a prior year balance of $3.7 billion) and total expenditures in fiscal year 2015-16 will be approximately $116.1 billion. The 2016-17 Proposed State Budget projects total resources available for fiscal year 2016 17 of $125.8 billion, inclusive of revenues and transfers of $120.6 billion and a prior year balance of $5.17 billion. The 2016-17 Proposed State Budget projects total expenditures of $122.6 billion, inclusive of non-Proposition 98 expenditures of $71.6 billion and Proposition 98 expenditures of $50.97 billion. The 2016-17 Proposed State Budget proposes to allocate $966 million of the State's General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.2 billion of such fund balance to the State's Special Fund for Economic Uncertainties.

The 2016-17 Proposed State Budget prioritizes a balanced budget for the long term and fully funding the State's Rainy Day Fund (the "Rainy Day Fund"). The Governor projects that the Rainy Day Fund will have a balance of approximately $6 billion in fiscal year 2016-17. The 2016-17 Proposed State Budget proposes to make an additional $2 billion deposit during fiscal year 2016-17 to bring the balance of the Rainy Day Fund to $8 billion, which is approximately 65% of the target balance. For more information about the Rainy Day Fund, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – Rainy Day Fund" herein.

Despite budgetary improvements as compared to recent years, the 2016-17 Proposed State Budget acknowledges that the additional tax revenues from capital gains are temporary in nature and that the additional revenues from Proposition 30 will expire in 2016 (with respect to the sales tax increase) and 2018 (with respect to the income tax increase). Further, the 2016-17 Proposed State Budget cautions that the State should address several risks, including: the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government, the budget's heavy dependency on the performance of the stock market, the high levels of State debts and liabilities, including unfunded retirement liabilities, and deferred maintenance of the State's roads and other infrastructure.

Certain workload adjustments and budgetary proposals for K-12 education set forth in the 2016-17 Proposed State Budget include the following:

- School District Local Control Funding Formula. The 2016-17 Proposed State Budget proposes to provide $2.8 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 Proposed State Budget proposes to eliminate almost 50% of the remaining funding gap between actual funding and the target level of funding. The Governor estimates that total Local Control Funding Formula implementation is now 95%.

- County Offices of Education Local Control Funding Formula. An increase of $1.7 million Proposition 98 General Fund to support a cost-of-living adjustment and ADA changes for county offices of education.

- Proposition 98 Minimum Guarantee. The 2016-17 Proposed State Budget proposes Proposition 98 funding of $71.6 billion, inclusive of State and local funds, for fiscal year 2016-17 which is expected to satisfy the Proposition 98 minimum guarantee.

- Early Education Block Grant. The 2016-17 Proposed State Budget proposes a $1.6 billion early education block grant for local educational agencies that will combine Proposition 98 funding from the State Preschool Program, transitional kindergarten, and the preschool Quality Rating and Improvement System Grant.

- Mandate Claims. The 2016-17 Proposed State Budget proposes to allocate approximately $1.28 billion in one-time moneys to reduce outstanding mandate claims by school districts charter schools, and county offices of education.

- Career Technical Education. The 2015-16 State Budget included resources to support the first year of the CTE Incentive Grant program, a transitional education and workforce development initiative administered by the California Department of Education. Pursuant to the program, the State will allocate $400 million in fiscal year 2015-16, $300 million in fiscal year 2016-17, and $200 million in 2017-18 in the form of competitive matching grants to school districts, county offices, of education, and charter schools.

- One‑Time Discretionary Funding. The 2016-17 Proposed State Budget proposes an increase of more than $1.2 billion in one-time Proposition 98 General Fund for school districts, charter schools and county offices of education to use at local discretion.

- Charter School Growth. The 2016-17 Proposed State Budget proposes an increase of $61 million Proposition 98 General Fund to support projected charter school ADA growth.

- Charter School Startup Grants. The 2016-17 Proposed State Budget proposes an increase of $20 million one-time Proposition 98 General Fund to support operational startup costs for new charter schools in 2016 and 2017, which is expected to partially offset the loss of federal funding previously available for such purpose.

- Systems of Learning and Behavioral Supports. The 2016-17 Proposed State Budget proposes an increase of $30 million one-time Proposition 98 General Fund resources to build upon the $10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way.

- Special Education. The 2016-17 Proposed State Budget proposes a decrease of $15.5 million Proposition 98 General Fund to reflect a projected decrease in Special Education ADA

- Cost-of-Living Adjustment Increases. The 2016-17 Proposed State Budget proposes an increase of $22.9 million Proposition 98 General Fund to support a 0.47% cost-of-living adjustment for categorical programs, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program, which are not funded within the Local Control Funding Formula.

- Local Property Tax Adjustments. The 2016-17 Proposed State Budget proposes a decrease of $149.4 million Proposition 98 General Fund for school districts and county offices of education in fiscal year 2015-16 as a result of higher offsetting property tax revenues. In addition, the Governor proposes a decrease of $1.2 billion in Proposition 98 General Fund for school districts and county offices of education in fiscal year 2016-17 as a result of increased offsetting local property tax revenues due to, principally, the end of the "triple flip."

- School District Average Daily Attendance. As a result of a decrease in projected A.D.A from the 2015-16 State Budget, the 2016-17 Proposed Budget proposes a decrease of $150.1 million in 2015-16 for school districts and a decrease of $34.1 million in fiscal year 2016‑17 for school districts.

- Proposition 39. Proposition 39, the California Clean Energy Jobs Act of 2012, has provided increased corporate tax revenues in the State. For fiscal year 2013-14 through fiscal year 2017-18, Proposition 39 requires half of the increased revenues, up to $550 million per year, to be used to support energy efficiency. The 2016-17 Proposed State Budget proposes to allocate $365.4 million to support school district and charter school energy efficiency projects in fiscal year 2016-17.

- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 Proposed State Budget proposes to allocate approximately $7.3 million of such funds to, among other things, truancy reduction, dropout prevention and crime prevention efforts relating to K-12 students. The Governors expects to count such funds towards the Proposition 98 minimum guarantee.

The complete 2016-17 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of 2016-17 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2016-17 Proposed State Budget entitled "The 2016-17 Budget: Overview of the Governor's Budget" on January 11, 2016 (the "2016-17 Proposed Budget Overview"), in which the LAO commends the State for its emphasis on increasing it budget reserves. The LAO notes that such an approach is prudent, as a large reserve may be essential to weathering the next recession. Further, the LAO is generally supportive of the Governor's priorities and the 2016-17 Proposed State Budget's focus on infrastructure, which the LAO notes is aging and in need of renovation and improvements. Nevertheless, the LAO warns that budget vulnerability remains and that cautious budgetary decision making is necessary. For example, the LAO suggests the State begin with robust targets for fiscal year 2016-17 budget reserves and take a measured approach to spending in order to better position the State for any near-term economic downturn.

With respect to the Proposition 98 budget plan in the 2016-17 Proposed State Budget, the LAO believes the Governor's estimated local property tax revenue counting toward Proposition 98 is approximately $1 billion less than its estimate for fiscal years 2015-16 and 2016-17. If local property tax revenue comes in higher than the Governor's administration expects, Proposition 98 General Fund costs will be correspondingly lower. However, the LAO cautions that the proposed use of Proposition 98 funding in fiscal year 2016-17 may provide inadequate protection against economic downturn. Thus, the LAO advises against committing all available 2016-17 Proposition 98 funds to ongoing purposes, as a sustained economic slowdown could force the State to cut programs and potentially backpedal in its implementation of the Local Control Funding Formula.

The 2016-17 Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2016-17 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2016-17 State budget from the 2016-17 Proposed State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2016-17 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2016-17 State Budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "−Dissolution of Redevelopment Agencies" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below.

In July 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). On December 29, 2011, the Court rendered its decision in Matosantos upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in Matosantos.

On February 1, 2012, and pursuant to Matosantos, AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and

- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant ("Base Grant") per unit of average daily attendance ("ADA") with additional supplemental funding (the "Supplemental Grant") allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency. The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2015-16, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $7,820 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,189 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,403 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $8,801 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional Concentration Grant of up to 50% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of ADA), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Under the new formula, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year local control and accountability plan ("LCAP"). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

Changes in State Budget

The final fiscal year 2016-17 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the impact that the final fiscal year 2016-17 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2016-17 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for K-12 education. The State budget will be affected by national and State economic conditions and other factors over which the District cannot predict and will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2016-17 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, *i.e.*, each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the local control funding formula base before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its local control funding formula base is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts."

The District is not a "basic aid district." Local property tax revenues, which account for approximately 22% of the District's aggregate local control funding formula base, were $64,854,488.50, or

17% of total general fund revenue in fiscal year 2014-15 and are budgeted to be $68,082,947, or 15% of total general fund revenue in fiscal year 2015-16. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

District Investment Practices

In accordance with California Law, the District maintains substantially all of its cash in the San Diego County Treasury. The County pools these funds with those of other school districts and local municipalities and government agencies in the County and invests the cash. These pooled funds are carried at a cost which approximates market value. Any investment losses are proportionally shared by all depositors with funds invested in the pool.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred. For additional information concerning the District's accounting practices and policies, see Note 1 to the District's audited financial statements included as APPENDIX B attached hereto.

Changes in Accounting Principles

GASB Statement No. 54. In March 2009, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. Statement No. 54 also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in Statement No. 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency. The District implemented the provisions of Statement No. 54 for the year ended June 30, 2011.

GASB Statement No. 61. In November 2010, GASB issued GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The objective of Statement No. 61 is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, Statement No. 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

Statement No. 61 also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

Statement No. 61 also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012.

Financial Statements of the District

The District's audited financial statements for the fiscal year ending June 30, 2015 are attached hereto as APPENDIX B. The financial statements should be read in their entirety. The information set forth herein does not purport to be a summary of the District's financial statements. The District's auditors, Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, have not reviewed or participated in the preparation of this Official Statement, and have expressed no opinion as to the fairness or accuracy of the financial information included herein (other than the financial statements included as APPENDIX B attached hereto). The involvement of Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants has been limited to the preparation of the District's audited financial statements included herein as APPENDIX B as part of its annual audit of the District's financial affairs and to the rendition of the opinions with respect to such audited financial statements as set forth in 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, 2012 through June 30, 2015. These summary statements are provided to permit comparison among fiscal years which, because of changes in audit presentation, are difficult to compare through all categories.

SWEETWATER UNION HIGH SCHOOL DISTRPICT GENERAL FUND
Statement of Income, Expenditures, and Changes in Fund Balance
General Fund for Fiscal Years 2011-12 through 2015-16

	FISCAL YEAR				
	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**
REVENUES	**Audited Actuals**	**Audited Actuals**	**Audited Actuals**	**Audited Actuals**	**Adopted Budget**
General Revenues					
Local Control Funding Formula	$236,478,953	$234,761,788	$275,516,394	$298,903,815	$342,538,939
Federal Revenue	32,150,022	19,768,639	23,531,297	21,056,818	20,435,869
Other State Revenue	56,175,909	56,190,326	31,116,949	23,471,902	46,824,570
Local Revenue	30,520,584	31,042,980	28,620,617	29,946,121	24,307,779
Total Revenues	**$355,325,468**	**$341,763,733**	**$358,785,257**	**$373,378,656**	**$434,107,157**
EXPENDITURES					
Certificated Salaries	$171,908,185	$169,184,708	$173,974,113	$186,383,178	$197,971,074
Classified Salaries	57,044,314	57,709,512	58,983,252	63,183,639	65,324,873
Employee Benefits	62,218,062	56,038,534	70,450,936	79,180,781	76,286,221
Books and Supplies	14,020,700	11,772,077	18,616,733	13,348,505	27,491,741
Services and Other Operating Expenditures	27,772,848	28,001,007	30,819,766	32,660,685	35,083,922
Capital Outlay	1,117,384	6,403,915	5,880,038	821,745	2,175,421
Outgo (excluding Transfers of indirect Costs)	3,355,872	4,030,768	4,657,539	4,296,820	2,250,712
Outgo – Transfers of Indirect Costs	(126,357)	(674,074)	(608,874)	(666,568)	(216,991)
Total Expenditures	**$337,311,008**	**$332,466,447**	**$362,773,503**	**$379,208,784**	**$406,366,973**
Revenues Over (Under) Expenditures	$ 18,013,560	$ 9,297,285	$ (3,988,246)	$ (5,830,128)	$27,740,184
Other Financing Sources (Uses)	(22,427,368)	(10,911,657)	3,077,818	(671,154)	(12,204,705)
Interfund Transfers In	71,988	1,439	1,096	139	9,287
Interfund Transfers Out	(22,499,356)	(15,629,670)	(2,198,419)	(1,286,889)	(12,213,992)
All Other Financing Sources	0	4,716,574	5,275,141	615,596	0
Total Other Financing Sources and Uses	(22,427,368)	(10,911,657)	3,077,818	(671,154)	(12,204,705)
Other Restatements	0	213,476	0	0	0
Net Change in Fund Balances	(4,413,808)	(1,614,372)	(910,428)	(6,501,282)	15,535,479
Beginning Fund Balances	35,276,271	30,862,463	29,461,568	28,551,141	22,049,858
Ending Fund Balances	**$ 30,862,463**	**$ 29,461,567**	**$ 28,551,141**	**$ 22,049,858**	**$ 37,585,336**

This statement is a summary statement only of financial statements of the District for the years shown. The District's audited financial statements for the year ended June 30, 2015 are attached as APPENDIX B to this Official Statement. The complete audited financial statements of the District, including the notes to the audited financial statements, are an integral part of this statement.
Source: The District.

The following table shows the general fund balance sheet of the District for fiscal years 2011-12 through 2014-15.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Summary of General Fund Balance Sheet
Fiscal Years 2011-12 through 2014-15

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
ASSETS				
Cash	$ 15,298,076	$16,909,494	$16,745,329	--
Accounts receivable	104,575,357	73,034,999	50,518,918	$18,559,984
Deposits and investments				15,352,632
Due from other funds	3,571,393	973,640	787,233	855,860
Inventories	226,557	127,034	203,512	376,533
Prepaid expenditures	490,532	118,916	--	--
Total Assets	$124,161,915	$96,164,083	$68,254,992	$35,145,009
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 8,613,699	$ 7,161,060	$14,819,571	$10,648,810
Due to other funds	83,205,062	52,156,798	23,726,484	1,674,682
Deferred revenue	1,480,692	7,384,657	1,157,796	771,659
Total Liabilities	93,299,453	66,702,515	39,703,851	13,095,151
Fund Balances				
Nonspendable	$ 742,083	$ 270,944	$ 228,506	$ 401,527
Restricted	5,013,122	5,949,862	6,994,378	1,062,727
Committed	--	--	--	--
Assigned	8,370,619	4,737,525	2,337,384	9,170,736
Unassigned	16,736,638	18,503,237	18,990,873	11,414,868
Total Fund Balances	$ 30,862,462	$29,461,568	$28,551,141	$22,049,858
Total Liabilities and Fund Balances	$124,161,915	$96,164,083	$68,254,992	$35,145,009

Source: District Audited Financial Reports for fiscal years 2011-12 through 2014-15.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County Superintendent of Schools.

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year's obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (known as "AB 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of AB 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent 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. A school district that files or receives a qualified or negative certification for the second interim must submit a third interim financial report for the period ending April 30 by June 1. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation bonds or certificates of participation without approval by the County Superintendent. The District has never received a negative or qualified certification and has never had to file a third interim report.

The following table summarizes the District's adopted general fund budgets for fiscal years 2012-13, 2013-14 and 2014-15 and 2015-16, and audited actual results for fiscal years 2012-13, 2013-14 and 2014-15.

SWEETWATER UNION HIGH SCHOOL DISTRICT
General Fund Budgets for Fiscal Years 2012-13 through 2015-16, Audited Actuals for Fiscal Years 2012-13 and 2014-15[(1)]

	2012-13 Original Adopted Budget	2012-13 Audited Actuals	2013-14 Original Adopted Budget	2013-14 Audited Actuals	2014-15 Original Adopted Budget	2014-15 Audited Actuals	2015-16 Original Adopted Budget
Revenues:							
Revenue Limit/Local Control Sources	$218,195,090	$234,761,789	$249,128,920	$275,516,394	$296,565,208	$298,903,815	$342,538,939
Federal Sources	18,283,939	19,768,639	19,867,048	23,531,297	23,049,163	21,056,818	20,435,869
Other state revenues	47,685,216	56,190,326	51,077,843	31,116,949	10,173,889	23,471,902	46,824,570
Other local sources	24,674,846	31,042,980	25,515,665	28,620,617	27,248,829	29,946,121	24,307,779
Total Revenues	308,839,091	341,763,733	345,589,476	358,785,257	357,037,089	373,378,656	434,107,157
EXPENDITURES							
Certificated salaries	144,228,768	169,184,708	168,786,134	$173,974,113	179,775,378	$186,383,178	$197,971,074
Classified salaries	51,274,028	57,709,512	60,510,019	58,983,252	60,656,264	63,183,639	65,324,873
Employee benefits	62,372,213	56,038,534	56,987,007	70,450,936	64,602,343	79,180,781	76,286,221
Books and supplies	10,030,220	11,772,077	16,855,564	18,616,733	15,156,942	13,348,505	27,491,741
Services and operating expenditures	26,909,502	28,001,007	30,346,091	30,819,766	32,568,195	32,660,685	35,083,922
Capital outlay	--	6,403,915	1,710,205	5,880,038	--	821,745	2,175,421
Other outgo							
Excluding transfers of indirect costs [(2)]	2,157,645	4,030,768	2,914,021	4,657,539	3,259,427	4,296,820	2,250,712
Transfers of indirect costs	(1,208,494)	(674,074)	(538,709)	(608,874)	--	(666,568)	(216,991)
Total Expenditures	295,763,882	332,466,447	337,570,332	362,773,503	357,017,649	379,208,784	406,366,973
Excess (Deficiency) of Revenues Over Expenditures	13,075,209	9,297,286	8,019,144	(3,988,246)	18,540	(5,830,128)	27,740,184
Other Financing Sources (Uses):							
Interfund transfers in	--	1,439	--	1,096	--	139	9,287
Interfund transfers out	(12,980,999)	(15,629,670)	(11,253,800)	(2,198,419)	--	(1,286,889)	(12,213,992)
All other financing sources	--	4,716,574	--	5,275,141	--	615,596	--
Net Financing Sources (Uses)	(12,980,999)	(10,911,657)	(11,253,800)	3,077,818	--	(671,154)	(12,204,705)
NET CHANGE IN FUND BALANCES	94,210	(1,614,372)	(3,234,656)	(910,428)	18,540	(6,501,282)	15,535,479
Fund Balance – Beginning	30,862,462	30,862,463	29,953,712	29,461,567	30,016,447	28,551,141	22,049,858
Fund Balance – Ending	$ 30,956,672	$ 29,461,567	$ 26,719,056	$ 28,551,141	$ 30,034,987	$ 22,049,858	$ 37,585,336

(1) As set forth in the audited financial statements for the year ended June 30, 2015 attached as APPENDIX B to this Official Statement. This statement is a summary statement only. The District's audited financial statements are an integral part of and necessary to a complete understanding of this statement.

(2) The amount shown for the 2012-13 Audited Actuals reflect transfers including approximately $12 million to the Adult Fund and approximately $2 million to the Deferred Maintenance Fund. The California Department of Education accounting method for fiscal year 2012-13 considered interfund transfers to the Adult Fund and Deferred Maintenance as an expenditure. In fiscal year 2013-14 revenue is folded into the Local Control Funding Formula sources and those transfers are netted against total revenues.

Source: The District.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the years ended June 30, 2014 and June 30, 2015, is shown below:

	Balance June 30, 2014	Balance June 30, 2015
Governmental Activities		
General Obligation (GO) Bonds	$341,863,520	$310,874,415
Premium and Accreted Interest (1)	5,516,235	38,988,848
GO Bond Anticipation Notes	32,820,000	32,820,000
Premium on Bond Anticipation Notes	3,529,357	2,588,195
Certificates of Participation (COPs)	11,625,000	10,525,000
Special Tax Revenue Bonds	135,710,000	128,860,000
Premium on Special Tax Revenue	9,628,996	8,941,790
Demand Revenue Bonds	33,650,000	33,650,000
Qualified Zone Academy Bonds	8,825,000	8,515,000
Capital Leases	6,532,119	3,787,024
Compensated Absences	7,431,873	8,070,445
Early Retirement Incentive	2,720,513	2,006,883
Other Postemployment Benefits (OPEB)	30,414,701	35,406,074
Total	$630,267,314	$625,033,674

(1) Amount includes $23,108,715 accreted interest on capital appreciation general obligation bonds as of June 30, 2015.

Payments made on the general obligation bonds and bond anticipation notes are made by the respective bond interest and redemption fund with local revenues attributable to the respective bond authorization and resolution. Payments for the certificates of participation, capital leases and special tax revenue bonds are made by the General Fund, Special Reserve Fund for Capital Outlay Projects, Deferred Maintenance Fund, and the Debt Service Fund for Blended Component Units. Qualified zone academy bonds are paid from the General Fund. The accrued vacation will be paid by the fund for which the employees worked. Supplemental early retirement plan will be paid by the General Fund. Other postemployment benefits are generally paid by the General Fund.

General Obligation Bonds. The District has several series of general obligation bonds outstanding, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District.

General Obligation Bonds Election of 2000, Series C. 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 designated as "Proposition BB" for the remodeling, new construction and renovations of facilities as described in the District's Facilities Improvement Plan. On October 21, 2004, the District issued $96,999,415 aggregate original principal amount of General Obligation Bonds, Election of 2000, Series C as part of the 2000 Bond Authorization. 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 3.34 to 5.27%. As of June 30, 2015, the principal balance outstanding of the general obligation bonds was $64,113,130. Unamortized premium received on issuance of the bonds amounted to $2,019,231 as of June 30, 2015.

General Obligation Refunding Bonds, Series 2011. On December 14, 2011, the District issued $23,835,000 Series 2011 Refunding Bonds pursuant to a Placement Agreement between the District and Capital One Public Funding, LLC. The bonds are supported by *ad valorem* taxes levied in accordance with the 2000 Bond Authorization. The bonds were issued for the purpose of defeasing and refunding the District's $38,000,000 Election of 2000 General Obligation Bonds, Series A and paying the related financing costs with the issuance. The refunding bonds mature through August 1, 2025, with a stated interest yield of 3.22%. As of June 30, 2015, the principal balance outstanding of such general obligation bonds was $19,350,000.

2014 General Obligation Refunding Bonds. On or about July 30, 2014 the District issued $82,270,000 of its Sweetwater Union High School District 2014 General Obligation Refunding Bonds. The bonds are supported by *ad valorem* taxes levied in accordance with the 2000 Bond Authorization. The bonds were issued in order to provide funds to refund and redeem the Sweetwater Union High School District Election of 2000 General Obligation Bonds, Series B and the current interest bonds of the Sweetwater Union High School District Election of 2000 General Obligation Bonds, Series C, and to pay certain costs of issuing the refunding bonds. The refunding bonds mature through August 1, 2029, with interest yields from 3.00 to 5.00 percent. As of June 30, 2015, the principal balance outstanding of such general obligation bonds was $82,270,000. Unamortized premium received on issuance of the bonds amounted to $10,729,121 as of June 30, 2015.

General Obligation Bonds Election of 2006, Series 2008A (the Series 2008A Bonds herein). In November 2006, the District voters approved Proposition O (the 2006 Bond Authorization herein), which authorized $644 million in general obligation bonds. On March 12, 2008, the District issued $180,000,000 principal amount of Series 2008A Bonds consisting of $17,265,000 in serial bonds, and $162,735,000 in term bonds. The bonds were issued for the construction, reconstruction, and equipping schools as described in the District's Long Range Facilities Plan. The Series 2008A Bonds mature through August 1, 2047, with interest yields from 3.00 to 5.50%. As of June 30, 2015, the principal balance outstanding of the Series 2008A Bonds was $168,250,000. Unamortized premium received on issuance of the bonds amounted to $3,041,781 as of June 30, 2015.

The District will redeem and refund certain maturities of the outstanding Series 2008A Bonds with a portion of net proceeds of the Refunding Bonds.

2013 General Obligation Bond Anticipation Notes (the 2013 BANs herein). In 2013, the District issued its $32,820,000 aggregate principal amount of 2013 General Obligation Bond Anticipation Notes due and payable on January 1, 2018. As of June 30, 2015, the entire original principal balance outstanding of the 2013 General Obligation Bond Anticipation Notes was outstanding.

The District will pay and defease the 2013 BANs with a portion of net proceeds of the Series B Bonds.

The following table summarizes the debt service requirements for the outstanding Proposition BB Bonds as authorized under the 2000 Bond Authorization, and the Series 2008A Bonds, the Refunding Bonds and the Series B Bonds as authorized under the 2006 Bond Authorization, assuming no optional redemption, in each case, and assuming the refunding of certain maturities of the Series 2008A Bonds and the 2013 BANs as described herein.

Bond Year Ending August 1	Annual Debt Service Proposition BB Bonds	Annual Debt Service Series 2008A Bonds[(1)]	Annual Debt Service Refunding Bonds and Series B Bonds[)]	Combined Annual Debt Service
2016	$ 12,357,492	$1,339,025	$ 3,634,998	$17,331,515
2017	12,925,104	1,291,825	10,303,931	24,520,860
2018	13,516,906	1,239,625	11,028,931	25,785,462
2019	14,116,937	--	13,064,931	27,181,868
2020	14,732,997	--	13,044,731	27,777,728
2021	15,380,086	--	12,808,731	28,188,817
2022	15,856,215	--	12,808,356	28,664,571
2023	16,359,162	--	14,058,706	30,417,868
2024	16,862,927	--	14,268,906	31,131,833
2025	17,392,010	--	14,628,956	32,020,966
2026	16,915,500	--	14,419,006	31,334,506
2027	17,461,500	--	14,605,406	32,066,906
2028	18,034,000	--	14,773,406	32,807,406
2029	17,645,250	--	14,953,706	32,598,956
2030	--	--	18,073,056	18,073,056
2031	--	--	17,603,956	17,603,956
2032	--	--	19,195,956	19,195,956
2033	--	--	19,551,706	19,551,706
2034	--	--	19,526,006	19,526,006
2035	--	--	19,577,663	19,577,663
2036	--	--	19,694,256	19,694,256
2037	--	--	19,007,694	19,007,694
2038	--	--	19,539,369	19,539,369
2039	--	--	19,538,619	19,538,619
2040	--	--	19,462,119	19,462,119
2041	--	--	13,131,600	13,131,600
2042	--	--	13,132,400	13,132,400
2043	--	--	13,127,200	13,127,200
2044	--	--	13,125,600	13,125,600
2045	--	--	13,121,800	13,121,800
2046	--	--	13,125,200	13,125,200
2047	--	--	13,124,800	13,124,800
Total	$219,556,086	$3,870,475	$481,061,704	$704,488,265

(1) Debt Service shown for Series 2008A Bonds reflects remaining debt service after the issuance of the Refunding Bonds.

The District's special tax and general fund obligations including its Certificates of Participation, Special Tax Revenue Bonds, Demand Revenue Bonds, Qualified Zone Academy Bonds and capital leases are more fully described in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015" at Note 8.

Retirement Benefits

The District participates in retirement plans with the State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2014, an actuarial valuation (the "2014 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $72.7 billion, a decrease of approximately $949 million from the valuation as of June 30, 2013. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2014, June 30, 2013 and June 30, 2012, based on the actuarial assumptions, were approximately 68.5%, 66.9% and 67.0%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2014 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2014 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2014 CalSTRS Actuarial Valuation stated that the aggregate contribution rate as of June 30, 2014, inclusive of an equivalent rate contribution of 9.654% from members, 8.000% from employers relating to the base rate, 0.250% from employers based on the sick leave rate, 8.662% from employers based on the supplemental rate, 1.868% from the State based on the base rate and 3.794% from the State based on the supplemental rate is equivalent to 32.228%. The 2014 CalSTRS Actuarial Valuation assumes that all members hired on or after January 1, 2013, are subject to the provisions of PEPRA.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

The initial increases in employee, employer and state contributions took effect July 1, 2014, and will continue to rise incrementally over the next several fiscal years. Member contribution increases will be phased in over the next three years and increase by an additional 2.25% of payroll for CalSTRS 2% at 60 members, and an additional 1.205% for CalSTRS 2% at 62 members. Member contribution rates last changed 42 years ago in 1972. In exchange for member contributions rate increases, the Legislature cannot reduce the 2% annual benefit adjustment or improvement factor for members working or retiring in 2014 and after.

Prior to this exchange, the Legislature explicitly reserved the right to reduce or eliminate the improvement factor and still maintains this right with regard to members who retired before 2014. School employers will see their contribution rates rise a total of 10.85% phased in over the next seven fiscal years. The state's contribution rate to the Defined Benefit Program will increase by 4.311% phased in over the next three years. The legislation also grants the Teachers' Retirement Board limited rate setting authority to adjust up or down employer and state rates if necessary to fully fund the Defined Benefit Program. Member rates are not subject to this adjustment. The funding approach in AB 1469 is predicated on the actuarial assumption that CalSTRS will earn a 7.5% annual rate of return throughout the life of the plan. To facilitate the monitoring of its progress toward full funding, CalSTRS is also required to submit a report on the fiscal health of the Defined Benefit Program to the Legislature every five years beginning July 1, 2019.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

Funding Policy. As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For Fiscal Year 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for Fiscal Year 2013-14 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

The following table sets forth the District's total employer contributions to CalSTRS for fiscal years 2011-12 through 2014-15 and the budgeted contribution for fiscal year 2015-16.

Contributions to CalSTRS for Fiscal Years 2011-12 through 2015-16

Fiscal Year	Contribution
2011-12	$14,457,279
2012-13	14,244,855
2013-14	14,634,594
2014-15	16,872,612
2015-16(1)	21,823,551

(1) Adopted Budget.
Source: The District.

The District's total employer contributions to CalSTRS for fiscal years 2011-12 through 2014-15 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

On Behalf Payments. The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $9,707,612 (5.541 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

According to the CalPERS Schools Actuarial Valuation as of June 30, 2014, the CalPERS Schools plan had a funded ratio of 86.6% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2013, June 30, 2013, June 30, 2011 and June 30, 2010 was 80.5%, 75.5%, 78.7% and 69.5%. In April 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS employed a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term.

In February 2014, the CalPERS Board of Administration adopted new actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For Fiscal Year 2013-14, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-14 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2011-12 through 2014-15 and the budgeted contribution for fiscal year 2015-16.

Contributions to CalPERS for Fiscal Years 2011-12 through 2015-16

Fiscal Year	Contribution
2011-12	$6,555,780
2012-13	7,039,283
2013-14	7,211,576
2014-15	7,736,573
2015-16[1]	8,640,994

[1] Adopted Budget.
Source: The District.

The District's total employer contributions to CalPERS for fiscal years 2011-12 through 2014-15 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015" at Note 12.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015" at Note 12.

GASB 67 and 68. In June 2012, GASB approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 will take effect in fiscal years beginning after June 15, 2013, and Statement Number 68 will take effect in fiscal years beginning after June 15, 2014.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalPERS and CalSTRS are more fully described in APPENDIX B − "AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015" at Note 12.

Other Post-Employment Benefits (OPEBs)

In addition to the retirement plan benefits with CalSTRS and CalPERS, the District provides certain post-retirement healthcare benefits, in accordance with District employment contracts, to certificated, management and administrative employees who retire from the District on or after attaining age 55 with at least 10 years of service. The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans, in 2007-08.

To be eligible the employee must have fifteen years of service with the District and be between the age of fifty five and the age of Medicare eligibility or be approved for CalSTRS or CalPERS disability retirement within thirty nine months of his/her fifty five year birthday. Dependents of retirees are eligible under the same condition and restraints as dependents of active plan members.

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. As of June 30, 2015, membership of the Plan consisted of approximately 291 retirees and beneficiaries currently receiving benefits, and approximately 3,584 active Plan members. The benefits consist of health insurance benefits (medical and prescription drug) and are provided to eligible retirees up to age 65. The contribution requirements of Plan members and the District are established and may be amended by the District, the CSEA, SEA and NAGE and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-15, the District contributed $2,380,729 to the Plan, all of which was used for current premiums. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015" attached hereto and Note 12 therein.

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The approximate accumulated future liability for post-employment benefits for the District at June 30, 2015 was $35.4 million. The following table shows the components of the District's annual OPEB cost for the 2014-15 fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 8,153,227
Interest on net OPEB obligation	1,368,662
Adjustment to annual required contribution	(2,149,787)
Annual OPEB cost (expense)	7,372,102
Contributions made	(2,380,729)
Increase in net OPEB obligation	4,991,373
Net OPEB obligation, beginning of the year	30,414,701
Net OPEB obligation, end of the year	$35,406,074

The District's funding policy is based on the projected pay as you go financing requirements, with additional amounts to prefund benefits as determined annually by the Board. For fiscal year 2013-14, the

District contributed $1,748,589. For fiscal year 2014-15, the District contributed $2,380,727. Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution (Pay-Go)	Percentage Contributed	New OPEB Obligation (Asset)
2010	$6,064,699	$1,876,174	31%	$14,848,241
2011	5,857,055	1,684,471	29	18,736,605
2012	5,915,875	2,413,172	41	22,239,308
2013	5,884,998	1,694,683	29	26,429,623
2014	5,733,667	1,748,589	30	30,414,701
2015	7,372,102	2,380,729	32	35,406,074

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The District's actuarial accrued liability (AAL) for benefits was $62.5 million and the unfunded actuarial accrued liability (UAAL) was $62.5 million. The actuarial assumptions included a 4.5% investment rate of return. The 2016 healthcare cost trend rate is an assumed 7.5%. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2014, was 23 years.

The District's actuary reported that, under GASB 45, the District is required to expense for its retiree benefits using accrual accounting. The accrual expense or annual required contribution under GASB terminology is generally accrued over the working career of employees. For the District's 2014-15 fiscal year, the annual required contribution is $8,153,227. This amount is comprised of the present value of benefits accruing in the fiscal year (normal cost) plus a 23-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability). The net OPEB obligation at the end of the fiscal year will reflect any actual retiree health benefits and related payments and any GASB eligible pre-funding amounts made by the District during the period.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in one joint venture under a joint powers agreement ("JPA"), the San Diego County Schools Risk Management JPA (RM), whose purpose is to jointly provide for the establishment, operation and maintenance of self-insurance programs for claims against member districts including, but not limited to, workers' compensation claims, liability and property insurance coverage to member districts. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of the JPA independent of any influence by the District beyond the District's representation on the governing board.

The District pays an annual premium to the entity for its workers' compensation, health and welfare, and property and liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes. During the year ended June 30, 2015, the District made payments totaling approximately $34.7 million for annual premiums.

The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of its governing board. Member districts share surpluses and deficits proportionately to their participation in the JPA. The relationship between the District and the JPA are such that the JPA is not a component unit of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements attached hereto. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015" at Note 14.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. 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." This full cash value may be increased at a rate not to exceed 2% 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the 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 2% 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.

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

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental 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 appropriation 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.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2013-14 fiscal year were equal to the allowable limit of $60,980,145 and for the 2014-15 fiscal year were equal to the allowable limit $65,778,256. The District estimates an appropriations limit for the 2015-16 fiscal year of $68,082,947. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

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

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

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K through 12 school districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9 percentage, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

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% 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.

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues (and the 2014-15 State Budget notes that capital gains revenues are expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an ADA of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The Bonds are payable solely from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "State Funding of Education; State Budget Process" above.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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SWEETWATER
UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SWEETWATER UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Sweetwater Union High School District
Chula Vista, California

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13 and budgetary comparison, other postemployment benefit, net pension liability, and District contribution information on pages 72 through 76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sweetwater Union High School District's basic financial statements. The accompanying supplementary information, such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, on our consideration of the Sweetwater Union High School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sweetwater Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 9, 2015

SWEETWATER UNION HIGH SCHOOL DISTRICT

Office of the Chief Financial Officer
1130 Fifth Avenue, Chula Vista, CA 91911-2896
Telephone: (619) 691-5550 FAX: (619) 425-3394

This section of Sweetwater Union High School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. 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 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. These statements include all assets of the District (including capital assets), 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.

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

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 Position and the Statement of Activities

The *Statement of Net Position* 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 position and changes in them. Net position is the difference between assets and liabilities which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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 Position* and the *Statement of Activities*, all of the District's activities are classified as follows:

Governmental Activities – The District reports all of its services in this category. This includes the education of grade seven through grade twelve students, adult education students, 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 A 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, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. 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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $220.2 million for the fiscal year ended June 30, 2015, reflecting an increase of 4.4 percent from prior year. Of this amount, ($373.7) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2015 as restated	2014 as restated
Assets		
Current and other assets	$ 252,651,050	$ 272,893,419
Capital assets	959,958,963	949,826,159
Total Assets	**1,212,610,013**	**1,222,719,578**
Deferred Outflows of Resources	**34,508,376**	**22,654,960**
Liabilities		
Current liabilities	21,510,585	27,159,423
Long-term obligations	625,033,674	630,267,314
Net pension liability	298,134,624	377,060,997
Total Liabilities	**944,678,883**	**1,034,487,734**
Deferred Inflows of Resources	**82,261,364**	**-**
Net Position		
Net investment in capital assets	552,515,936	539,494,593
Restricted	41,380,455	41,423,908
Unrestricted	(373,718,249)	(370,031,697)
Total Net Position	**$ 220,178,142**	**$ 210,886,804**

The ($373.7) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased by 1 percent (($373.7) million compared to ($370.0) million).

Net Pension Liability (NPL)

At year end, the District had a net pension liability of $298.1 million as a result of the implementation of GASB Statement No. 68 during the current fiscal year.

The District's net position decreased by $355,786,803 as a result of GASB Statement No. 68 implementation. Below summarizes what our net position looks like before and after the implementation of GASB Statement No. 68.

	After GASB Statement No. 68 Implementation	Before GASB Statement No. 68 Implementation
Net Position		
Net investment in capital assets	$ 552,515,936	$ 552,515,936
Restricted	41,380,455	41,380,455
Unrestricted	(373,718,249)	(17,931,446)
Total Net Position	**$ 220,178,142**	**$ 575,964,945**

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. 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

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 2,867,265	$ 3,216,150
Operating grants and contributions	73,497,309	74,625,403
Capital grants and contributions	72,368	52,559
General revenues:		
Federal and State aid not restricted	260,466,014	239,518,968
Property taxes	124,480,720	111,794,193
Other general revenues	2,931,931	10,510,832
Total Revenues	**464,315,607**	**439,718,105**
Expenses		
Instruction	255,254,033	238,199,531
Instruction-related	61,583,876	59,499,786
Student support services	49,721,076	45,145,313
Administration	19,196,321	19,327,720
Plant services	40,369,729	35,655,967
Interest on long-term obligations	21,847,849	25,150,595
Other	7,051,385	10,032,543
Total Expenses	**455,024,269**	**433,011,455**
Change in Net Position	**$ 9,291,338**	**$ 6,706,650**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $455 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $124.5 million because the cost was paid by those who benefited from the programs ($2.9 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($73.6 million). We paid for the remaining "public benefit" portion of our governmental activities with $263.4 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 largest functions: regular program instruction, instruction-related programs, student support services, administration, plant services, interest on long-term obligations, and all 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

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	$ 255,254,033	$ 238,199,531	$ 206,224,870	$ 193,209,400
Instruction-related	61,583,876	59,499,786	52,601,779	49,957,992
Student support services	49,721,076	45,145,313	32,637,947	28,713,881
Administration	19,196,321	19,327,720	18,535,425	18,221,253
Plant services	40,369,729	35,655,967	40,012,426	35,368,660
Interest on long-term obligations	21,847,849	25,150,595	21,847,849	25,150,595
Other	7,051,385	10,032,543	6,727,031	4,495,562
Total	**$ 455,024,269**	**$ 433,011,455**	**$ 378,587,327**	**$ 355,117,343**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $239.0 million, which is a decrease of $15.0 million from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	$ 28,551,141	$ 373,994,391	$ 380,495,674	$ 22,049,858
Cafeteria Fund	125,551	14,308,150	14,299,576	134,125
Building Fund	25,427,714	99,630,785	112,503,011	12,555,488
County School Facilities Fund	24,768,240	8,650,208	3,859,854	29,558,594
Capital Project Fund for Blended Component Units	133,661,842	34,190,890	31,409,690	136,443,042
Non-Major Governmental Funds	41,476,594	56,109,087	59,279,447	38,306,234
Total	**$ 254,011,082**	**$ 586,883,511**	**$ 601,847,252**	**$ 239,047,341**

The primary reasons for these decreases are:

a. The General Fund showed a decrease of $6.5 million.
b. The Cafeteria Fund showed an increase of $8,574.
c. The Building Fund showed a decrease of $12.9 million.
d. The County School Facilities Fund showed an increase of $4.8 million.
e. The Capital Project Fund for Blended Component Units showed an increase of $2.8 million.
f. The Non-Major Governmental Funds showed a decrease of approximately $3.2 million.

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 30, 2015. (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 72.)

The key differences between the original budget, final budget and actual results is attributable to:

- Re-allocation of categorical program carryover from the prior year, and final entitlements for categorical programs.

As has been the practice of the District, Sweetwater Union High School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget does not include revenues or expenditures related to categorical carryover, while the final budget and actual results reflects these carryovers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $960.0 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $10.2 million, or 1.07 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2015	2014
Land and construction in progress	$ 351,920,785	$ 507,735,601
Buildings and improvements	603,597,243	437,307,447
Furniture and equipment	4,440,935	4,783,111
Total	**$ 959,958,963**	**$ 949,826,159**

This year's additions of $23,236,165 (see Note 4) included several completed construction projects for critically over-crowded schools, modernization, new construction, vehicles and classroom equipment. The District will use the general obligation bond proceeds for construction and modernization of existing school facilities.

Several capital projects are planned for the 2015-2016 year. We anticipate capital additions to be $95.4 million for the 2015-2016 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $625.0 million in long-term obligations versus $630.3 million last year, a decrease of .8 percent. The obligations consisted of:

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds (including accreted interest and premium)	$ 349,863,263	$ 347,379,755
General obligation bond anticipation notes (including premium)	35,408,195	36,349,357
Certificates of participation	10,525,000	11,625,000
Special tax revenue bonds (including premium)	137,801,790	145,338,996
Demand revenue bonds	33,650,000	33,650,000
Qualified zone academy bonds	8,515,000	8,825,000
Capitalized lease obligations	3,787,024	6,532,119
Compensated absences	8,070,445	7,431,873
Early retirement incentive	2,006,883	2,720,513
Other postemployment benefits	35,406,074	30,414,701
Total	**$ 625,033,674**	**$ 630,267,314**

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 is below this statutorily-imposed limit.

Other obligations include certificates of participation, qualified zone academy bonds, revenue bonds, compensated absences payable, capital leases, early retirement incentive, and other postemployment benefits. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

- Dr. Karen Janney was named Superintendent of the Sweetwater Union High School District. Dr. Janney is a graduate of Bonita Vista High School in the Sweetwater District and brings over 37 years of experience serving as teacher, administrator, and college lecturer.
- Three schools – Hilltop Middle, Southwest Middle, and Olympian High were named California Gold Ribbon Schools in 2015. Only 22 middle and high schools in all of San Diego County earned this honor, and three were from the Sweetwater District.
- Ten of Sweetwater's comprehensive high schools were named Silver Medal winners in 2015 by the U.S. News & World Report, placing them among the top 13 percent of schools in the nation in the annual ranking of schools.

- A record number of 10 Sweetwater District athletic teams won CIF San Diego championships this year, and one school won a State CIF Title. These schools are:
  - Castle Park High – Girls' Soccer, Boys' Volleyball
  - Chula Vista High – Girls' Soccer
  - Chula Vista High – Boys' Soccer State CIF Champs
  - Eastlake High – Girls' Tennis, Girls' Water Polo
  - Montgomery High – Boys' Soccer
  - Olympian High – Girls' Volleyball, Softball
  - San Ysidro High – Boys' Soccer, Baseball

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2015-2016 year, the governing board and management used the following criteria:

The key revenue forecast assumptions are as follows:

(1) The budget was initially based on the "May Revise", which represents the Governor's final recommended budget to our State Legislature and later revised based on the State adopted budget. The key components of the State Adopted Budget include:

  (a) Local Control Funding Formula Gap percentage is 51.52 percent.
  (b) Deferral is fully funded.
  (c) Funding for mandate claims is at $601 per ADA.
  (d) Increased funding for Career Technical Education and Adult Education.

(2) The District's major source of income is from the Local Control Funding Formula. For 2015-2016, the District is projecting a slight increase in student enrollment of 94 students based on the most recent student enrollment projections.

Expenditures were based on the following:

(1) Staffing ratios:

	Staffing Ratio	Enrollment
Grades six through eight	28 to 1	11,577
Grades nine through twelve	28 to 1	28,664

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, Ms. Karen Michel, 1130 Fifth Avenue, Chula Vista, California, 91911, or e-mail at karenmichel@sweetwaterschools.org.

SWEETWATER UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 230,368,506
Receivables	21,774,672
Stores inventories	507,872
Capital assets	
Nondepreciable capital assets	351,920,785
Capital assets being depreciated	758,309,108
Accumulated depreciation	(150,270,930)
Total Capital Assets	959,958,963
Total Assets	1,212,610,013
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	9,899,191
Current year pension contribution	24,609,185
Total Deferred Outflows of Resources	34,508,376
LIABILITIES	
Accounts payable	12,832,050
Accrued interest	7,906,876
Unearned revenue	771,659
Long-term obligations	
Current portion of long-term obligations other than pensions	18,901,868
Noncurrent portion of long-term obligations other than pensions	606,131,806
Total Long-Term Liabilities	625,033,674
Aggregate net pension liability	298,134,624
Total Liabilities	944,678,883
DEFERRED INFLOWS OF RESOURCES	
Net change in proportionate share of net pension liability	2,212,132
Difference between projected and actual earnings on pension plan investments	80,049,232
Total Deferred Inflows of Resources	82,261,364
NET POSITION	
Net investment in capital assets	552,515,936
Restricted for:	
Debt service	10,063,101
Capital projects	30,228,557
Educational programs	1,087,061
Other activities	1,736
Unrestricted	(373,718,249)
Total Net Position	$ 220,178,142

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, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities:					
Instruction	$ 255,254,033	$ 1,441,161	$ 47,515,634	$ 72,368	$ (206,224,870)
Instruction-related activities:					
Supervision of instruction	19,775,661	259,528	7,698,738	-	(11,817,395)
Instructional library, media, and technology	4,996,605	673	161,245	-	(4,834,687)
School site administration	36,811,610	1,086	860,827	-	(35,949,697)
Pupil services:					
Home-to-school transportation	8,591,127	161	80,237	-	(8,510,729)
Food services	14,405,629	1,127,162	11,267,202	-	(2,011,265)
All other pupil services	26,724,320	8,532	4,599,835	-	(22,115,953)
Administration:					
Data processing	6,490,440	-	7,237	-	(6,483,203)
All other administration	12,705,881	12,515	641,144	-	(12,052,222)
Plant services	40,369,729	15,468	341,835	-	(40,012,426)
Facility acquisition and construction	392,313	-	-	-	(392,313)
Ancillary services	5,935,819	-	105,475	-	(5,830,344)
Community services	295,633	-	-	-	(295,633)
Interest on long-term obligations	21,847,849	-	-	-	(21,847,849)
Other outgo	427,620	979	217,900	-	(208,741)
Total Governmental Activities	$ 455,024,269	$ 2,867,265	$ 73,497,309	$ 72,368	(378,587,327)
	General revenues and subventions:				
	Property taxes, levied for general purposes				67,621,403
	Property taxes, levied for debt service				22,234,418
	Taxes levied for other specific purposes				34,624,899
	Federal and State aid not restricted to specific purposes				260,466,014
	Interest and investment earnings				810,165
	Miscellaneous				2,121,766
	Subtotal, General Revenues				387,878,665
	Change in Net Position				9,291,338
	Net Position - Beginning, as Restated				210,886,804
	Net Position - Ending				$ 220,178,142

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

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SWEETWATER UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Cafeteria Fund	Building Fund	County School Facilities Fund
ASSETS				
Deposits and investments	$ 15,352,632	$ 618,798	$ 13,028,791	$ 29,535,573
Receivables	18,559,984	1,480,869	14,778	25,641
Due from other funds	855,860	1,166,638	1	-
Stores inventories	376,533	131,339	-	-
Total Assets	$ 35,145,009	$ 3,397,644	$ 13,043,570	$ 29,561,214
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 10,648,810	$ 248,655	$ 479,107	$ 2,620
Due to other funds	1,674,682	3,014,864	8,975	-
Unearned revenue	771,659	-	-	-
Total Liabilities	13,095,151	3,263,519	488,082	2,620
Fund Balances:				
Nonspendable	401,527	132,389	-	-
Restricted	1,062,727	1,736	12,555,488	29,558,594
Committed	-	-	-	-
Assigned	9,170,736	-	-	-
Unassigned	11,414,868	-	-	-
Total Fund Balances	22,049,858	134,125	12,555,488	29,558,594
Total Liabilities and Fund Balances	$ 35,145,009	$ 3,397,644	$ 13,043,570	$ 29,561,214

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

Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
$ 133,617,303	$ 38,215,409	$ 230,368,506
102,625	1,590,775	21,774,672
3,542,882	557,503	6,122,884
-	-	507,872
$ 137,262,810	$ 40,363,687	$ 258,773,934
$ 763,451	$ 689,407	$ 12,832,050
56,317	1,368,046	6,122,884
-	-	771,659
819,768	2,057,453	19,726,593
-	-	533,916
136,443,042	18,664,274	198,285,861
-	6,336,820	6,336,820
-	13,305,140	22,475,876
-	-	11,414,868
136,443,042	38,306,234	239,047,341
$ 137,262,810	$ 40,363,687	$ 258,773,934

SWEETWATER UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds		**$ 239,047,341**
Amounts Reported for Governmental Activities in the Statement of Net Position 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	$ 1,110,229,893	
Accumulated depreciation is	(150,270,930)	
Net Capital Assets		959,958,963
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		24,609,185
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.		(7,906,876)
This represents the deferred charge on refunding as a result of refunding of bonds. The difference between the amount that was sent to the escrow agent for the repayment of the old debt and the actual remaining debt obligation will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This represents the unamortized balance as of year-end.		9,899,191
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		(2,212,132)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(80,049,232)
Net pension liability is not due and payable in the current period and is not reported as a liability in the funds.		(298,134,624)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		

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

SWEETWATER UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2015

Long-term obligations at year-end consist of:		
General obligation bonds	$ 310,874,415	
Premium on general obligation bonds	15,880,133	
General obligation bond anticipation notes	32,820,000	
Premium on bond anticipation notes	2,588,195	
Certificates of participation	10,525,000	
Special tax revenue bonds	128,860,000	
Premium on special tax revenue bonds	8,941,790	
Demand revenue bonds	33,650,000	
Qualified zone academy bonds	8,515,000	
Capital leases payable	3,787,024	
Compensated absences (vacations)	8,070,445	
Early retirement incentive	2,006,883	
Other postemployment benefits (net OPEB obligation)	35,406,074	
In addition, the District has issued "capital appreciation" bonds.		
The accretion of interest on those bonds to date is as follows:	23,108,715	
Total Long-Term Obligations		$ (625,033,674)
Total Net Position - Governmental Activities		**$ 220,178,142**

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 BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Cafeteria Fund	Building Fund	County School Facilities Fund
REVENUES				
Local Control Funding Formula	$ 298,903,815	$ -	$ -	$ -
Federal sources	21,056,818	10,947,553	-	-
Other State sources	23,471,902	844,739	-	-
Other local sources	29,946,260	1,354,113	276,161	97,064
Total Revenues	373,378,795	13,146,405	276,161	97,064
EXPENDITURES				
Current				
Instruction	231,558,197	-	-	-
Instruction-related activities:				
Supervision of instruction	18,089,221	-	-	-
Instructional library, media, and technology	4,649,741	-	-	-
School site administration	32,330,173	-	-	-
Pupil services:				
Home-to-school transportation	8,414,485	-	-	-
Food services	579	14,192,027	-	-
All other pupil services	24,833,885	-	-	-
Administration:				
Data processing	6,274,589	-	-	-
All other administration	11,697,411	2,051	-	-
Plant services	31,029,755	105,498	2,198,386	57,971
Facility acquisition and construction	-	-	12,768,812	526,313
Ancillary services	5,826,740	-	-	-
Community services	284,895	-	-	-
Other outgo	427,620	-	-	-
Debt service				
Principal	3,670,691	-	-	-
Interest and other	198,509	-	2,429,491	-
Total Expenditures	379,286,491	14,299,576	17,396,689	584,284
Excess (Deficiency) of Revenues Over Expenditures	(5,907,696)	(1,153,171)	(17,120,528)	(487,220)
Other Financing Sources (Uses)				
Transfers in	-	1,161,745	5,589,137	8,553,144
Other sources - proceeds from issuance of debt	615,596	-	93,765,487	-
Transfers out	(1,209,183)	-	(151,183)	(3,275,570)
Other uses - payment to refunded bond escrow agent	-	-	(94,955,139)	-
Net Financing Sources (Uses)	(593,587)	1,161,745	4,248,302	5,277,574
NET CHANGE IN FUND BALANCES	(6,501,283)	8,574	(12,872,226)	4,790,354
Fund Balances - Beginning	28,551,141	125,551	25,427,714	24,768,240
Fund Balances - Ending	$ 22,049,858	$ 134,125	$ 12,555,488	$ 29,558,594

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

Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 13,493,800	$ 312,397,615
-	2,127,859	34,132,230
-	774,410	25,091,051
34,147,756	24,977,157	90,798,511
34,147,756	41,373,226	462,419,407
-	8,375,812	239,934,009
-	1,236,416	19,325,637
-	214,263	4,864,004
-	3,167,665	35,497,838
-	-	8,414,485
-	-	14,192,606
-	749,354	25,583,239
-	-	6,274,589
-	669,652	12,369,114
1,156,438	5,213,925	39,761,973
8,046,464	2,000,931	23,342,520
-	-	5,826,740
-	-	284,895
-	-	427,620
-	15,670,000	19,340,691
-	18,741,132	21,369,132
9,202,902	56,039,150	476,809,092
24,944,854	(14,665,924)	(14,389,685)
43,134	14,735,861	30,083,021
-	-	94,381,083
(22,206,788)	(3,240,297)	(30,083,021)
-	-	(94,955,139)
(22,163,654)	11,495,564	(574,056)
2,781,200	(3,170,360)	(14,963,741)
133,661,842	41,476,594	254,011,082
$ 136,443,042	$ 38,306,234	$ 239,047,341

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		**$ (14,963,741)**
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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 23,236,165	
Depreciation expense	(12,811,244)	
Net Expense Adjustment		10,424,921
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the Statement of Activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		(292,117)
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 obligations in the Statement of Net Assets.		(615,596)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (retirement incentives) 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 were special termination benefits paid in the amount of $713,630. Vacation earned was more than the amounts paid by $638,572.		75,058
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(397,440)
Other postemployment benefits (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(4,991,373)

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 STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2015

Proceeds received from issuance of general obligation refunding bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities.		$ (82,270,000)
Under the modified basis of accounting used in 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:		
Premium on issuance of general obligation refunding bonds	$ (11,495,487)	
Deferred amount on refunding from issuance of refunding bonds	9,695,139	
Amortization of debt premium	2,759,957	
Amortization of deferred charge on refunding	(779,274)	180,335
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		92,980,000
Certificates of participation		1,100,000
Special tax revenue bonds		6,850,000
Qualified zone academy bonds		310,000
Capital lease obligations		3,360,691
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 two factors. First, accrued interest on the general obligation bonds, special tax bonds, and certificates of participation decreased by $370,210, and second, $2,829,610 of additional interest was accreted on the District's capital appreciation general obligation bonds.		(2,459,400)
Change in Net Position of Governmental Activities		**$ 9,291,338**

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

SWEETWATER UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 12,602	$ 4,379,629
Receivables	12	155,011
Prepaid expenses	-	64,328
Stores inventories	-	237,149
Total Assets	12,614	$ 4,836,117
LIABILITIES		
Accounts payable	-	$ 220,538
Due to student groups	-	4,615,579
Total Liabilities	-	$ 4,836,117
NET POSITION		
Unreserved	12,614	
Total Net Position	$ 12,614	

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

SWEETWATER UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
JUNE 30, 2015

		Scholarship Trust
ADDITIONS		
Interest	$	51
Change in Net Position		51
Net Position - Beginning		12,563
Net Position - Ending	$	12,614

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 in 1921 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 seven through twelfth as mandated by the State and/or Federal agencies. The District operates eleven middle schools, twelve high schools, one continuation high school, 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 also 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. 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. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and thus is included in the financial statements of 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 direct benefit of the District.

Both the Sweetwater Union High School District Financing Corporation (the Corporation) and the Sweetwater Union High School District Public Financing Authority (the Authority) are nonprofits, public benefit corporations incorporated under the laws of the State of California and recorded by the Secretary of State. The entities were formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling, and leasing public facilities, land, personal property, and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease-purchase agreements recorded in long-term obligations (certificates of participation). The District is required under certain lease agreements issued by the Corporation and special tax bonds issued by the Authority to make payments solely from Special Taxes levied in and collected from various Community Facilities Districts.

The Corporation and the Authority's financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and in the Debt Service Fund for Blended Component Units. Certificates of participation issued by the Corporation and special tax bonds issued by the Authority are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation or the Authority.

Other Related Entities

Charter School The District has approved charters for The Metropolitan Area Advisory Committee Community Charter School, Stephen Hawking Charter School, and Stephen W. Hawking II, Science, Technology, Engineering, Art and Math Charter School, pursuant to *Education Code* Section 47605. The Charter Schools are not operated by the District, and their financial activities are not presented in the District's financial statements. The Charter Schools are operated by separate governing boards and are not considered component units of the District. The Charter Schools receive State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies.

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 is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units 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 established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Capital Outlay Projects Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Debt Service Fund for Blended Component Units This fund is used for the accumulation of resources for and the retirement of principal and interest on debt issued by entities that are considered blended component units of the District under GAAP.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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 Scholarship Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues of the activities of the District and for each governmental function, and exclude fiduciary activity. 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*, except for depreciation. 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their 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 the 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 financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned 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, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2015, 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 investment pools are determined by the program sponsor.

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 incurred.

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 funds and expenses in the proprietary 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. 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 statement of net position. The valuation basis for capital assets is 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; furniture and equipment, 5 to 15; years, and vehicles, eight 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 columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund 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 governmental 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of net Position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions and for the unamortized amount on net change in proportionate share of net pension liability.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets 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 position is 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 position is available. The government-wide financial statements report $41,380,455 of restricted net position, which is restricted by enabling legislation.

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 in 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 1st 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 budget purposes, 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.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $352,206,290. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	$ 230,368,506
Fiduciary funds	4,392,231
Total Deposits and Investments	$ 234,760,737

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 33,439,442
Cash in revolving	26,044
Investments	201,296,882
Total Deposits and Investments	$ 234,762,368

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing 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.

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	Amount Reported	Fair Value	Average Maturity in Days/ Maturity Date
San Diego County Investment Pool	$ 195,486,432	$ 195,586,697	356 days
Blackrock Institutional Funds Money Market Funds	3	3	37 days
First American Government Obligation Fund Class D	1,833,046	1,833,046	46 days
Fortis Funding LLC Commercial Paper	3,977,401	4,045,571	09/29/15
Total	$ 201,296,882	$ 201,465,317	

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.

The investment in the San Diego County Investment Pool has been rated AAAf/S1 by Standard and Poor's Investor Service as of June 30, 2015. The investment in First American Government Obligation Fund Class D and the investment in Blackrock Institutional Money Market Funds have been rated AAAm by Standard and Poor's Investor Service as of June 30, 2015. The investment in Fortis LLC Commercial Paper has been rated A-1 by Standard and Poor's Investor Service as of June 30, 2015.

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 agency. 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, 2015, the District's bank balance of $7,718,372 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in Fortis Funding LLC Commercial Paper of $3,977,401 (fair market value of $4,045,571), the District has a custodial credit risk exposure of $3,977,401 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Federal Government								
Categorical aid	$ 9,338,901	$1,339,518	$ -	$ -	$ -	$1,335,898	$12,014,317	$ -
State Government								
State principal apportionment	-	-	-	-	-	-	-	-
Categorical aid	-	108,934	-	-	-	234,788	343,722	-
Lottery	3,977,896	-	-	-	-	-	3,977,896	-
Special education	1,130,984	-	-	-	-	-	1,130,984	-
Local Government								-
Interest	12,081	-	13,278	25,641	102,625	19,663	173,288	12
Charter school	654,446	-	-	-	-	-	654,446	-
Regional occupational program	2,170,793	-	-	-	-	-	2,170,793	-
Other Local Sources	1,274,883	32,417	1,500	-	-	426	1,309,226	155,011
Total	$ 18,559,984	$1,480,869	$14,778	$25,641	$ 102,625	$1,590,775	$21,774,672	$155,023

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 144,894,678	$ -	$ -	$ 144,894,678
Construction in progress	362,840,923	23,030,016	178,844,832	207,026,107
Depreciated	507,735,601	23,030,016	178,844,832	351,920,785
Capital Assets Being Depreciated:				
Land improvements	6,967,171	585,139	-	7,552,310
Buildings and improvements	553,260,068	178,185,693	1,613,163	729,832,598
Furniture and equipment	21,396,220	280,149	752,169	20,924,200
Total Capital Assets Being Depreciated	581,623,459	179,050,981	2,365,332	758,309,108
Total Capital Assets	1,089,359,060	202,080,997	181,210,164	1,110,229,893
Less Accumulated Depreciation:				
Land improvements	5,888,632	129,464	-	6,018,096
Buildings and improvements	117,031,160	12,059,455	1,321,046	127,769,569
Furniture and equipment	16,613,109	622,325	752,169	16,483,265
Total Accumulated Depreciation	139,532,901	12,811,244	2,073,215	150,270,930
Governmental Activities Capital Assets, Net	$ 949,826,159	$ 189,269,753	$ 179,136,949	$ 959,958,963

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 11,530,120
Supervision of instruction	640,562
All other pupil services	640,562
Total Depreciation Expenses Governmental Activities	$ 12,811,244

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds, and the internal service fund are as follows:

	Due From					
Due To	General Fund	Cafeteria Fund	Building Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total
General Fund	$ -	$ 74,864	$ 8,975	$ 3,982	$ 768,039	$ 855,860
Cafeteria Fund	1,166,638	-	-	-	-	1,166,638
Building Fund	1	-	-	-	-	1
Capital Project Fund for Blended Component Units	2,875	2,940,000	-	-	600,007	3,542,882
Non-Major Governmental Funds	505,168	-	-	52,335	-	557,503
Total	$ 1,674,682	$ 3,014,864	$ 8,975	$ 56,317	$ 1,368,046	$ 6,122,884

The balance of $1,166,638 due to the Cafeteria Fund from the General Fund is for program contributions and reimbursement of operating costs.

The balance of $74,864 due to the General Fund from the Cafeteria Fund resulted from the reimbursement of benefits, indirect costs and other operating costs.

The balance of $2,940,000 due to the Capital Project Fund for Blended Component Units from the Cafeteria Fund resulted from a temporary loan.

The balance of $8,975 due to the General Fund from the Building Fund from resulted from the reimbursement of operating costs.

The balance of $3,982 due to the General Fund from the Capital Project Fund for Blended Component Units resulted from the reimbursement of operating costs.

The balance of $52,335 due to the Deferred Maintenance Non-Major Governmental Fund from the Capital Projects Fund for Blended Component Units resulted from the reimbursement of project costs.

A balance of $767,537 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from the reimbursement of benefits, indirect costs and other operating costs.

A balance of $600,000 due to the Capital Project Fund for Blended Component Units from the Adult Education Non-Major Governmental Fund resulted from a temporary loan plus interest to be repaid.

A balance of $501,539 due to the Special Reserve Fund for Capital Projects Non-Major Governmental Fund from the General Fund resulted from the reimbursement of project costs.

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, 2015, consisted of the following:

	Transfer From					
Transfer To	General Fund	Building Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Fund	Total
Cafeteria Fund	$ 1,161,745	$ -	$ -	$ -	$ -	$ 1,161,745
Building Fund	4,463	-	3,275,570	168,966	2,140,138	5,589,137
County School Facilities Fund	-	151,183	-	7,301,961	1,100,000	8,553,144
Capital Project Fund for Blended Component Units	42,975	-	-	-	159	$ 43,134
Non-Major Governmental Funds	-	-	-	14,735,861	-	14,735,861
Total	$ 1,209,183	$ 151,183	$ 3,275,570	$ 22,206,788	$ 3,240,297	$ 30,083,021

The General Fund transferred to the Cafeteria Fund for program costs contribution.	$ 1,161,745
The General Fund transferred to the Building Fund reimbursement of operating costs.	4,463
The General Fund transferred to the Capital Project Fund for Blended Component Units for interest earned on interfund loans.	42,975
The Building Fund transferred to the County School Facilities Fund for project costs savings.	151,183
The County School Facilities Fund transferred to the Building Fund for project match costs.	3,275,570
The Capital Project Fund for Blended Component Units transferred to the Building Fund for project cost reimbursement.	168,966
The Capital Project Fund for Blended Component Units transferred to the County School Facilities Fund for project costs savings reimbursement.	7,301,961
The Capital Project Fund for Blended Component Units transferred to the Debt Service Fund for Blended Component Units Non-Major Governmental Fund for debt service payments.	14,735,861
The Bond Interest and Redemption Non-Major Governmental Fund transferred to the Building Fund for bond refunding.	2,120,138
The Adult Education Non-Major Governmental Fund transferred to the Building Fund for project cost reimbursement.	20,000
The Capital Facilities Non-Major Governmental Fund transferred to the County School Facilities Fund for project cost reimbursement.	1,100,000
The Adult Education Non-Major Governmental Fund transferred to the Capital Project Fund for Blended Component Units for interest earned on interfund loans.	159
Total	$ 30,083,021

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Vendor payables	$ 88,220	$ 194,870	$ -	$ -	$ -	$ -	$ 283,090	$ -
State principal apportionment	1,720,652	-	-	-	-	-	1,720,652	-
State categorical	345,899	-	-	-	-	-	345,899	-
Salaries and benefits	4,451,784	53,785	16,213	-	5,442	179,383	4,706,607	-
Materials and supplies	2,824,517	-	7,416	-	-	77,007	2,908,940	-
Construction	-	-	451,968	2,620	749,676	230,742	1,435,006	-
Services and other operating payables	1,217,738	-	3,510	-	8,333	202,275	1,431,856	220,538
Total	$ 10,648,810	$ 248,655	$ 479,107	$ 2,620	$ 763,451	$ 689,407	$ 12,832,050	$ 220,538

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund
Federal financial assistance	$ 16,418
State categorical aid	297,222
Other local	458,019
Total	$ 771,659

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 341,863,520	$ 85,099,610	$ 92,980,000	$ 333,983,130	$ 8,235,000
Premium on general obligation bonds	5,516,235	11,495,487	1,131,589	15,880,133	-
General obligation bond anticipation notes	32,820,000	-	-	32,820,000	-
Premium on bond anticipation notes	3,529,357	-	941,162	2,588,195	-
Certificates of participation	11,625,000	-	1,100,000	10,525,000	1,230,000
Special tax revenue bonds	135,710,000	-	6,850,000	128,860,000	6,740,000
Premium on special tax revenue bonds	9,628,996	-	687,206	8,941,790	-
Demand revenue bonds	33,650,000	-	-	33,650,000	-
2005 Qualified zone academy bonds	5,000,000	-	-	5,000,000	-
2010 Qualified zone academy bonds	3,825,000	-	310,000	3,515,000	315,000
Capital leases	6,532,119	615,596	3,360,691	3,787,024	1,581,868
Compensated absences	7,431,873	638,572	-	8,070,445	-
Early retirement incentive	2,720,513	-	713,630	2,006,883	800,000
Other postemployment benefits (OPEB)	30,414,701	7,372,102	2,380,729	35,406,074	-
	$ 630,267,314	$ 105,221,367	$110,455,007	$ 625,033,674	$ 18,901,868

Payments made on the general obligation bonds and bond anticipation notes are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation, capital leases and special tax revenue bonds are made by the General Fund, Special Reserve Fund for Capital Outlay Projects, Deferred Maintenance Fund, and the Debt Service Fund for Blended Component Units. Qualified zone academy bonds are paid from the General Fund. The accrued vacation will be paid by the fund for which the employees worked. Supplemental early retirement plan will be paid by the General Fund. Other postemployment benefits are generally paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014 as Restated	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2015
06/25/03	08/01/28	3.00-4.75%	$ 52,000,000	$ 47,105,000	$ -	$ -	$ 47,105,000	$ -
10/21/04	08/01/29	2.50-5.27%	96,999,415	104,653,520	-	2,829,610	43,370,000	64,113,130
03/12/08	08/01/47	3.00-5.50%	180,000,000	169,305,000	-	-	1,055,000	168,250,000
12//14/11	08/01/25	3.22%	23,835,000	20,800,000	-	-	1,450,000	19,350,000
07/16/14	08/01/29	3.00-5.00%	82,270,000	-	82,270,000	-	-	82,270,000
				$ 341,863,520	$ 82,270,000	$ 2,829,610	$ 92,980,000	$ 333,983,130

General Obligation Bonds Election 2000, Series B

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 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 to 4.75 percent, and fully maturing on August 1, 2028. During the year, the remaining balance of the bonds outstanding was refunded with the issuance of the 2014 Series, General Obligation Refunding Bonds.

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 2000, 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, 2015, the principal balance outstanding of the general obligation bonds was $64,113,130. Unamortized premium received on issuance of the bonds amounted to $2,109,231 as of June 30, 2015.

General Obligation Bonds Election 2006, Series 2008A

In November 2006, the District voters approved Proposition O, which authorized $644 million in general obligation bonds. On March 12, 2008, the District issued $180,000,000 Series A bonds consisting of $17,265,000 in serial bonds, and $162,735,000 in term bonds. The bonds were issued for the construction, reconstruction, and equipping schools as described in the Long Range Facilities Plan. The bonds mature through August 1, 2047, with interest yields from 3.00 to 5.50 percent. At June 30, 2015, the principal balance outstanding of the general obligation bonds was $168,250,000. Unamortized premium received on issuance of the bonds amounted to $3,041,781 as of June 30, 2015.

General Obligation Refunding Bonds, Series 2011

On December 14, 2011, the District issued $23,835,000 Series 2011 Refunding Bonds pursuant to a Placement Agreement between the District and Capital One Public Funding, LLC. The bonds were issued for the purpose of defeasing and refunding the District's $38,000,000 Election of 2000 General Obligation Bonds, Series A and paying the related financing costs with the issuance. The bonds mature through August 1, 2025, with a stated interest yield of 3.22 percent. At June 30, 2015, the principal balance outstanding of the general obligation bonds was $19,350,000.

General Obligation Refunding Bonds, Series 2014

On July 16, 2014, the District issued $82,270,000 Series 2014 Refunding Bonds pursuant to a Placement Agreement between the District and Capital One Public Funding, LLC. The bonds were issued for the purpose of defeasing and refunding the District's $45,835,000 Election of 2000 General Obligation Bonds, Series B and the current interest bonds of $39,425,000 Election of 2000 General Obligation Bonds, Series C, and paying the related financing costs associated with the issuance. The bonds mature through August 1, 2029, with interest yields from 3.00 to 5.00 percent.

The refunding resulted in a cumulative cash flow saving of $12,828,368 over the life of the new debt and an economic gain of $9,139,287 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.59 percent.

At June 30, 2015, the principal balance outstanding of the general obligation bonds was $82,270,000. Unamortized premium received on issuance of the bonds amounted to $10,729,121 as of June 30, 2015.

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Compound Interest Paid at Maturity	Total
2016	$ 8,136,260	$ 98,740	$ 13,555,925	$ 21,790,925
2017	8,666,535	343,465	13,427,042	22,437,042
2018	8,989,027	675,973	13,289,549	22,954,549
2019	9,341,900	1,003,100	13,129,553	23,474,553
2020	9,241,650	1,358,350	12,959,017	23,559,017
2021-2025	47,649,930	12,795,070	27,301,675	87,746,675
2026-2030	79,222,828	4,637,172	9,544,755	93,404,755
2031-2035	31,475,000	-	40,025,781	71,500,781
2036-2040	40,170,000	-	31,084,297	71,254,297
2041-2045	52,200,000	-	18,599,048	70,799,048
2046-2048	38,890,000	-	3,361,204	42,251,204
Total	$ 333,983,130	$ 20,911,870	$ 196,277,846	$ 551,172,846

2013 General Obligation Bond Anticipation Notes

On March 14, 2013, the District issued $32,820,000 in 2013 General Obligation Bond Anticipation Notes pursuant to Section 15150 of the *California Education Code*, and an agreement between the District and Union Bank, N.A. The notes are being issued in anticipation of the sale of bonds of the District as authorized under and pursuant to a bond authorization approved by the voters of the District at an election held on November 7, 2006. The notes were issued to provide a portion of the funds necessary to finance the acquisition and construction of facilities authorized to be financed with General Obligation Bonds including, without limitation, the Montgomery High School Gymnasium Project and the National City Middle School Project. The notes mature on January 1, 2018, with interest yields from 3.00 to 5.50 percent. At June 30, 2015, the principal balance outstanding of the general obligation bonds was $32,820,000. Unamortized premium received on issuance of the bonds amounted to $2,588,195 as of June 30, 2015.

Debt Service Requirements to Maturity

The notes mature through 2018 as follows:

Fiscal Year	Principal	Interest	Total
2016	$ -	$ 1,499,000	$ 1,499,000
2017	-	1,499,000	1,499,000
2018	32,820,000	1,499,000	34,319,000
Total	$ 32,820,000	$ 4,497,000	$ 37,317,000

Certificates of Participation (COPs)

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	COPs Outstanding July 1, 2014	Redeemed	COPs Outstanding June 30, 2015
12/01/05	09/01/22	2.90-5.00%	$ 18,330,000	$ 11,625,000	1,100,000	$ 10,525,000

Certificates of Participation, Series 2005 Refinancing

On December 1, 2005, the District issued $18,330,000 in Certificates of Participation, Series 2005 Refinancing, under the terms of a lease agreement with the Corporation. The Certificates were issued to refinance certain District obligations with respect to the existing Rancho Del Rey Middle School site. The Certificates are payable from lease payments made by the District to the Corporation as rental for certain school facilities pursuant to a lease agreement. The District is required under the lease agreement to make payments from certain Special Taxes levied in and collected from various Community Facilities Districts. The certificates are due to mature through September 1, 2022 with interest rates ranging from 2.90 to 5.00 percent. At June 30, 2015, the principal balance outstanding of the certificates was $10,525,000.

Debt Service Requirements to Maturity

The certificates mature through 2022 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,230,000	$ 428,625	$ 1,658,625
2017	1,960,000	364,825	2,324,825
2018	1,930,000	287,025	2,217,025
2019	1,625,000	214,909	1,839,909
2020	1,235,000	150,519	1,385,519
2021-2022	2,545,000	141,391	2,686,391
Total	$ 10,525,000	$ 1,587,294	$ 12,112,294

Special Tax Revenue Bonds

The outstanding special tax revenue bond debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Special Tax Bonds Outstanding July 1, 2014	Redeemed	Special Tax Bonds Outstanding June 30, 2015
02/24/05	09/01/29	3.00-5.00%	$ 66,385,000	$ 52,980,000	$ 1,990,000	$ 50,990,000
02/24/05	09/01/29	3.50-4.75%	15,180,000	10,590,000	655,000	9,935,000
10/30/13	09/01/27	3.00-5.00%	72,140,000	72,140,000	4,205,000	67,935,000
				$ 135,710,000	$ 6,850,000	$ 128,860,000

Special Tax Revenue Bonds, Series 2005A

On February 24, 2005, the District issued $66,385,000 in Special Tax Revenue Bonds, Series 2005A pursuant to an agreement between the District and the Authority. The bonds are payable from the revenue pledged, consisting primarily of installment payments made by the District for the acquisition and construction of certain school facilities. The District's obligation to make installment payments is payable solely from Special Taxes levied in and collected from various Community Facilities Districts. The bonds are due to mature through September 1, 2029 with interest rates ranging from 3.00 to 5.00 percent. At June 30, 2015, the principal balance outstanding of the certificates was $50,990,000.

Special Tax Revenue Bonds, Series 2005B

On February 24, 2005, the District issued $15,180,000 in Special Tax Revenue Bonds, Series 2005B pursuant to an agreement between the District and the Authority. The bonds are payable from the revenue pledged, consisting primarily of installment payments made by the District for the acquisition and construction of certain school facilities. The District's obligation to make installment payments is payable solely from Special Taxes levied in and collected from various Community Facilities Districts. The bonds are due to mature through September 1, 2029 with interest rates ranging from 3.50 to 4.75 percent. At June 30, 2015, the principal balance outstanding of the certificates was $9,935,000. Unamortized premium received on issuance of the 2005A and 2005B special tax revenue bonds amounted to $2,930,698 as of June 30, 2015.

2013 Special Tax Refunding Revenue Bonds

On October 30, 2013, the District issued $72,140,000 in 2013 Special Tax Refunding Revenue Bonds, pursuant to an agreement between the District and the Authority. The bonds, together with other available funds, were issued to refund certain outstanding certificates of participation. The bonds are payable from the revenue pledged, consisting primarily of installment payments made by the District for the acquisition and construction of certain school facilities. The District's obligation to make installment payments is payable solely from Special Taxes levied in and collected from various Community Facilities Districts. The bonds are due to mature through September 1, 2027 with interest rates ranging from 3.00 to 5.00 percent. At June 30, 2015, the principal balance outstanding of the certificates was $67,935,000. Unamortized premium received on issuance of the 2013 special tax refunding revenue bonds amounted to $6,011,092 as of June 30, 2015.

Debt Service Requirement to Maturity

The special tax revenue bonds mature through 2030 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 6,740,000	$ 6,059,359	$ 12,799,359
2017	7,415,000	5,774,886	13,189,886
2018	7,475,000	5,442,866	12,917,866
2019	8,040,000	5,071,486	13,111,486
2020	9,095,000	4,647,959	13,742,959
2021-2025	52,500,000	15,834,103	68,334,103
2026-2030	37,595,000	3,806,472	41,401,472
Total	$ 128,860,000	$ 46,637,131	$ 175,497,131

Demand Revenue Bonds

On February 1, 2005, the California Statewide Communities Development Authority and Plan Nine Partners, LLC, a nonprofit public benefit corporation issued Series A and B variable rate special revenue bonds in the amounts of $25,415,000 and $8,235,000, respectively. Payments of principal and interest are secured by an irrevocable direct-pay letter of credit between the District (and Plan Nine Partners, LLC) and the bank in the amount of $34,129,962. During the year, the letter of credit was extended through August 31, 2017. The proceeds were used to purchase a 23.82 acre parcel of land in the city of Chula Vista, California (which is included in the District's capital assets as land, see Note 4). The land is held in the name of Plan Nine Partners, LLC, until such time as the bonds are paid off and the land is conveyed to the District pursuant to an exchange agreement. The District will lease the project from Plan Nine Partners and the District is obligated under a lease agreement to pay rent equal to the debt service on the bonds. The principal balance outstanding on June 30, 2015 is $33,650,000 as only interest payments have been made to date.

Qualified Zone Academy Bonds

2005 Qualified Zone Academy Bonds

On August 1, 2005, the District, pursuant to a sublease agreement with 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, 2015, the principal balance outstanding was $5,000,000.

2010 Qualified Zone Academy Bonds

On April 1, 2010, the District entered into a Trust Agreement, under which the Trustee agrees to execute and deliver $5,000,000 aggregate principal amount of Certificates of Participation, 2010 Series A (Qualified Zone Academy Bonds), each evidencing a direct, undivided fractional interest in lease payments to be paid by the District under the Lease. The annual requirements to amortize the QZAB outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 315,000	$ 80,956	$ 395,956
2017	325,000	73,499	398,499
2018	330,000	66,125	396,125
2019	340,000	58,535	398,535
2020	345,000	50,784	395,784
2021-2025	1,860,000	130,248	1,990,248
Total	$ 3,515,000	$ 460,147	$ 3,975,147

Capital Leases

The District's leases for facilities and equipment under agreements with options to purchase are summarized below:

	Equipment	Vehicles	Total
Balance, July 1, 2014	$ 5,737,702	$ 1,014,756	$ 6,752,458
Additions	625,141	-	625,141
Payments	(3,198,141)	(273,084)	(3,471,225)
Balance, July 1, 2015	$ 3,164,702	$ 741,672	$ 3,906,374

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	$ 1,854,072
2017	1,711,798
2018	340,504
Total	3,906,374
Less: Amount Representing Interest	(119,350)
Present Value of Minimum Lease Payments	$ 3,787,024

Compensated Absences

The long-term portion of compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2015, amounted to $8,070,445.

Early Retirement Incentive

In 2010-2011, the District offered an early retirement incentive plan at a cost of $17,875,534. The outstanding balance will be paid in accordance with the schedule below:

Year Ending June 30,	Total
2016	$ 800,000
2017	671,191
2018	334,681
2019	201,011
Total	$ 2,006,883

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $8,153,227, and contributions made by the District during the year were $2,380,729. Interest on the net OPEB obligation and adjustments to the annual required contribution were $1,368,662 and $(2,149,787), respectively, which resulted in an increase to the net OPEB obligation of $4,991,373. As of June 30, 2015, the net OPEB obligation was $35,406,074. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total
Nonspendable							
Revolving cash	$ 24,994	$ 1,050	$ -	$ -	$ -	$ -	$ 26,044
Stores inventories	376,533	131,339	-	-	-	-	507,872
Total Nonspendable	401,527	132,389	-	-	-	-	533,916
Restricted							
Legally restricted programs	1,062,727	1,736	-	-	-	24,334	1,088,797
Capital projects	-	-	12,555,488	29,558,594	136,443,042	669,963	179,227,087
Debt services	-	-	-	-	-	17,969,977	17,969,977
Total Restricted	1,062,727	1,736	12,555,488	29,558,594	136,443,042	18,664,274	198,285,861
Committed							
Deferred maintenance program	-	-	-	-	-	6,336,820	6,336,820
Total Committed	-	-	-	-	-	6,336,820	6,336,820
Assigned							
Capital projects	-	-	-	-	-	12,806,892	12,806,892
Other program balances	9,170,736	-	-	-	-	498,248	9,668,984
Total Assigned	9,170,736	-	-	-	-	13,305,140	22,475,876
Unassigned							
Reserve for economic uncertainties	11,414,868	-	-	-	-	-	11,414,868
Total	$ 22,049,858	$ 134,125	$ 12,555,488	$ 29,558,594	$ 136,443,042	$ 38,306,234	$ 239,047,341

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Sweetwater Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 291 retirees and beneficiaries currently receiving benefits and 3,584 active plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed $2,380,729 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 8,153,227
Interest on net OPEB obligation	1,368,662
Adjustment to annual required contribution	(2,149,787)
Annual OPEB cost (expense)	7,372,102
Contributions made	(2,380,729)
Increase in net OPEB obligation	4,991,373
Net OPEB obligation, beginning of year	30,414,701
Net OPEB obligation, end of year	$ 35,406,074

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 5,884,998	$ 1,694,683	29%	$ 26,429,623
2014	5,733,667	1,748,589	30%	30,414,701
2015	7,372,102	2,380,729	32%	35,406,074

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ -	$ 62,530,157	$ 62,530,157	0%	$ 258,024,477	24%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial ten percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2015, was 23 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 11 - RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund. The District participates in the San Diego County Schools Risk Management JPA for health and welfare, workers' compensation, and for property and liability coverage. See Note 14 for additional information relating to public entity risk pools.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 229,996,406	$ 16,872,612	$ 56,636,177	$ 19,856,116
CalPERS	68,138,218	7,736,573	25,625,187	6,056,096
Total	$ 298,134,624	$ 24,609,185	$ 82,261,364	$ 25,912,212

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were $16,872,612.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	229,996,406
State's proportionate share of the net pension liability associated with the District		138,881,760
Total	$	368,878,166

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2014, was 0.3936 percent.

For the year ended June 30, 2015, the District recognized pension expense of $19,856,116. In addition, the District recognized pension expense and revenue of $11,989,980 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 16,872,612	$ -
Difference between projected and actual earnings on pension plan investments	-	56,636,177
Total	$ 16,872,612	$ 56,636,177

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 14,159,045
2017	14,159,044
2018	14,159,044
2019	14,159,044
Total	$ 56,636,177

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 358,504,246
Current discount rate (7.60%)	229,996,406
1% increase (8.60%)	122,844,222

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were $7,736,573.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $68,138,218. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2014 and June 30, 2013, was 0.6002 percent and 0.6208 percent, respectively, resulting in a net decrease in the proportionate share of 0.0206 percent.

For the year ended June 30, 2015, the District recognized pension expense of $6,056,096. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,736,573	$ -
Net change in proportionate share of net pension liability	-	2,212,132
Difference between projected and actual earnings on pension plan investments	-	23,413,055
Total	$ 7,736,573	$ 25,625,187

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources related to the net change in proportionate share of net pension liability will be amortized over the Expected Average Remaining Service Lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years, and the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	$ 737,378
2017	737,377
2018	737,377
Total	$ 2,212,132

The deferred inflow of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 5,853,263
2017	5,853,264
2018	5,853,264
2019	5,853,264
Total	$ 23,413,055

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 119,529,988
Current discount rate (7.50%)	68,138,218
1% increase (8.50%)	25,195,213

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $9,801,663 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 13 - 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, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. Specifically, there is one case regarding Title IX. On September 28, 2015, the District approved the global settlement agreement regarding the Title IX case in the amount of $5,550,000 in litigation, appellate, and past monitoring fees, with 50 percent to be paid by October 2015, and the other half to be paid by December 31, 2016, with interest at 0.23 percent (current federal rate). In the opinion of management and legal counsel, the disposition of all other litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Bonita Vista High Track and Field Project	$ 22,861	10/31/15
Chula Vista High	18,037	12/31/15
East Hills Academy	15,682	12/31/15
Eastlake High Senior Lawn	2,107	12/31/15
Fire Alarm Upgrades - Group 4	40,213	12/31/15
Montgomery High Gym Structural Upgrade	25,725	12/31/15
Palomar High	308,389	12/31/15
Southwest High Modernization Phase 1	124,599	12/31/15
Southwest High Title IX	2,114	12/31/15
Sweetwater High Relocatables	20,920	12/31/15
Technology Infrastructure	42,112	12/31/15
Castle Park High Title IX	27,130	01/31/16
Montgomery Middle Modernization Phase 1	956,234	01/31/16
Eastlake High Amphitheater	37,601	06/30/16
Eastlake High Portable Restrooms	10,941	06/30/16
Sweetwater High School Track and Field	13,204	06/30/16
Bonita Vista Middle Modernization	25,601	12/31/16
Mar Vista High Project 2	694,397	12/31/16
National City Middle Phase 2	971,041	12/31/16
Relocatable Classrooms - Multiple Sites	436,149	12/31/16
Roof Defects	32,550	12/31/16
Southwest Middle Project 1 Modernization Phase 2	2,637,164	12/31/16
Sweetwater High Modernization Project 1	888,739	12/31/16
Sweetwater High Project 1 New Construction	957,869	12/31/16
Chula Vista High Title IX	30,989	01/31/17
Sweetwater High Food Service Facilities	63,678	12/31/17
Eastlake High HVAC and Roof Replacement	1,001,378	06/30/19
Eastlake High Rehabilitation Projects	361,387	06/30/19
	$ 9,768,811	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

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

This entity has 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 entity and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2015, the District made payments totaling $34,734,328 for annual premiums.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 566,276,167
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(377,060,997)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	21,671,634
Net Position - Beginning as Restated	$ 210,886,804

REQUIRED SUPPLEMENTARY INFORMATION

SWEETWATER UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 296,565,208	$ 299,471,971	$ 298,903,815	$ (568,156)
Federal sources	23,049,163	24,904,195	21,056,818	(3,847,377)
Other State sources	10,173,889	26,279,700	23,471,902	(2,807,798)
Other local sources	27,248,829	29,028,702	29,946,260	917,558
Total Revenues [1]	357,037,089	379,684,568	373,378,795	(6,305,773)
EXPENDITURES				
Current				
Certificated salaries	179,741,378	183,731,015	186,383,178	(2,652,163)
Classified salaries	60,656,264	62,136,047	63,183,640	(1,047,593)
Employee benefits	65,636,343	79,337,723	79,180,781	156,942
Books and supplies	15,156,942	16,057,979	13,348,504	2,709,475
Services and operating expenditures	32,568,195	36,810,038	32,660,686	4,149,352
Other outgo	(400,807)	(174,031)	(161,243)	(12,788)
Capital outlay	-	1,610,326	821,745	788,581
Debt service - principal	3,466,300	2,715,182	3,670,691	(955,509)
Debt service - interest	193,934	194,049	198,509	(4,460)
Total Expenditures [1]	357,018,549	382,418,328	379,286,491	3,131,837
Excess (Deficiency) of Revenues Over Expenditures	18,540	(2,733,760)	(5,907,696)	(3,173,936)
Other Financing Sources (Uses)				
Other sources	-	-	615,596	615,596
Transfers out	-	(82,169)	(1,209,183)	(1,127,014)
Net Financing Sources (Uses)	-	(82,169)	(593,587)	(511,418)
NET CHANGE IN FUND BALANCES	18,540	(2,815,929)	(6,501,283)	(3,685,354)
Fund Balances - Beginning	28,551,141	28,551,141	28,551,141	-
Fund Balances - Ending	$ 28,569,681	$ 25,735,212	$ 22,049,858	$ (3,685,354)

[1] On behalf payments of $9,801,663 are included in the final budget and actual revenues and expenditures, but have not been included in the original budgeted amounts.

SWEETWATER UNION HIGH SCHOOL DISTRICT

CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Federal sources	$ 11,125,590	$ 11,206,829	$ 10,947,553	$ (259,276)
Other State sources	1,206,153	1,235,923	844,739	(391,184)
Other local sources	1,492,597	1,492,597	1,354,113	(138,484)
Total Revenues [1]	13,824,340	13,935,349	13,146,405	(788,944)
EXPENDITURES				
Current				
Classified salaries	5,081,103	5,624,049	5,095,900	528,149
Employee benefits	2,305,156	1,644,717	1,540,823	103,894
Books and supplies	5,946,035	5,929,801	7,261,416	(1,331,615)
Services and operating expenditures	425,825	624,485	399,386	225,099
Other outgo	-	2,163	2,051	112
Capital outlay	-	43,913	-	43,913
Total Expenditures [1]	13,758,119	13,869,128	14,299,576	(430,448)
Excess (Deficiency) of Revenues Over Expenditures	66,221	66,221	(1,153,171)	(1,219,392)
Other Financing Sources (Uses)				
Transfers in	-	-	1,161,745	1,161,745
NET CHANGE IN FUND BALANCES	66,221	66,221	8,574	(57,647)
Fund Balance - Beginning	125,551	125,551	125,551	-
Fund Balance - Ending	$ 191,772	$ 191,772	$ 134,125	$ (57,647)

[1] Commodities received and expended of $752,342 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2010	$ -	$ 48,702,607	$ 48,702,607	0%	$ 234,255,640	21%
July 1, 2012	-	49,364,140	49,364,140	0%	240,305,962	21%
July 1, 2014	-	62,530,157	62,530,157	0%	258,024,477	24%

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability	0.3936%
District's proportionate share of the net pension liability	$ 229,996,406
State's proportionate share of the net pension liability associated with the District	138,881,760
Total	$ 368,878,166
District's covered - employee payroll	$ 177,278,733
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	130%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability	0.6002%
District's proportionate share of the net pension liability	$ 68,138,218
District's covered - employee payroll	$ 65,725,707
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	104%
Plan fiduciary net position as a percentage of the total pension liability	83%

Note: In the future, as data become available, ten years of information will be presented.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 16,872,612
Contributions in relation to the contractually required contribution	(16,872,612)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 190,006,892
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 7,736,573
Contributions in relation to the contractually required contribution	(7,736,573)
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 65,725,707
Contributions as a percentage of covered - employee payroll	11.77%

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Basic Education Grants Cluster:			
Adult Basic Education and ESL	84.002A	14508	$ 827,718
Adult Secondary Education	84.002	13978	797,386
Adult Education: English Literacy and Civics Education	84.002A	14109	208,987
Total Adult Basic Education Grants Cluster			1,834,091
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected	84.010	14329	8,529,777
Title I, Part G - Advance Placement Test Fee Reimbursement Program	84.330	14831	292,154
Title II, Part A - Improving Teacher Quality	84.367	14341	877,553
Title III - Immigrant Education Program	84.365	14346	779,298
Title IV, Part B, 21st Century Community Learning Centers	84.287	14788	1,917,613
Special Education (IDEA) Cluster:			
Local Assistance	84.027A	13379	6,301,529
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	444,520
Total Special Education (IDEA) Cluster			6,746,049
Carl D. Perkins Vocational and Technical Education Act			
Career and Technical Education Cluster:			
Career and Technical Education - Secondary Education	84.048	14894	716,544
Career and Technical Education - Adult, Section 132	84.048	14893	293,768
Total Career and Technical Education Cluster			1,010,312
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	165,952
Total U.S. Department of Education			22,152,799

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	$ 6,427,958
Especially Needy Breakfast Program	10.553	13526	2,802,428
Basic Breakfast Program	10.553	13390	19,742
Commodities	10.555	13396	752,342
Total Child Nutrition Cluster			10,002,470
National School Lunch Program Equipment Assistance Program	10.579	14906	38,578
Child and Adult Care Food Program	10.558	13393	906,505
Total U.S. Department of Agriculture			10,947,553
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medical Billing Option	93.778	10013	649,801
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps	12.000	[1]	306,712
U.S. DEPARTMENT OF INTERIOR FISH AND WILDLIFE SERVICES			
Tijuana Slough Funds	15.000	[1]	9,595
Total Expenditures of Federal Awards			$ 34,066,460

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The Sweetwater Union High School District was organized in 1921, and consists of an area comprising approximately 153 square miles. The District operates eleven middle schools, twelve high schools, one continuation high school, four adult schools, and four alternative education schools.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Frank A. Tarantino	President	2018
Nicholas Segura	Vice President	2016
Paula Hall	Member	2018
Kevin J. Pike	Member	2016
Arturo Solis	Member	2018

ADMINISTRATION

Dr. Karen Janney	Superintendent
Sandra Huezo	Assistant Superintendent, Human Resources
Moises Aguirre	Assistant Superintendent, Business Services
Karen Michel	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, 2015

	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	11,069.39	11,097.87
Ninth through twelfth	26,800.65	26,671.70
Total Regular ADA	37,870.04	37,769.57
Extended Year Special Education		
Seventh and eighth	-	0.72
Ninth through twelfth	7.17	9.84
Total Extended Year Special Education	7.17	10.56
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	78.03	71.57
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	11.66	11.66
Community Day School		
Seventh and eighth	6.60	6.66
Ninth through twelfth	41.81	36.40
Total Community Day School	48.41	43.06
Total ADA	38,015.31	37,906.42

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days		Status
				Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000	52,500				
Grade 7			61,655	180	-	Complied
Grade 8			61,655	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,644	180	-	Complied
Grade 10			65,644	180	-	Complied
Grade 11			65,644	180	-	Complied
Grade 12			65,644	180	-	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016[1]	2015	2014	2013
GENERAL FUND				
Revenues	$ 434,107,157	$ 373,378,795	$ 358,786,353	$ 351,404,305
Other sources	9,287	615,596	5,275,141	4,716,664
Total Revenues and Other Sources	434,116,444	373,994,391	364,061,494	356,120,969
Expenditures	406,366,973	379,286,491	362,829,864	342,138,575
Other uses and transfers out	12,213,992	1,209,183	2,142,057	15,383,288
Total Expenditures and Other Uses	418,580,965	380,495,674	364,971,921	357,521,863
INCREASE (DECREASE) IN FUND BALANCE	$ 15,535,479	$ (6,501,283)	$ (910,427)	$ (1,400,894)
ENDING FUND BALANCE	$ 37,585,337	$ 22,049,858	$ 28,551,141	$ 29,461,568
AVAILABLE RESERVES[2]	$ 12,557,429	$ 11,414,868	$ 18,990,873	$ 18,503,237
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO[3]	3.00%	3.00%	5.35%	5.32%
LONG-TERM OBLIGATIONS	N/A	$ 625,033,674	$ 630,267,314	$ 639,810,793
K-12 AVERAGE DAILY ATTENDANCE AT P-2	38,139	38,015	38,271	38,323

The General Fund balance has decreased by $7,411,710 over the past two years. The fiscal year 2015-2016 budget projects an increase of $15,535,479 (70.5 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 deficits in all of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by $14,777,119 over the past two years.

Average daily attendance has decreased by 308 over the past two years. An increase of 124 ADA is anticipated during fiscal year 2015-2016.

[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] On behalf payments of $9,707,612 and $9,425,744 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014 and 2013, respectively.

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015

Name of Charter School	Included in Audit Report
The Metropolitan Area Advisory Committee Community Charter (MAAC) School (0303)	No
Stephen W. Hawking Charter School (1407)	No
Stephen W. Hawkings II Science, Technology, Engineering, Art and Math Charter School (1524)	No

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects
ASSETS				
Deposits and investments	$ 580,862	$ 6,667,119	$ 669,780	$ 12,870,179
Receivables	1,571,943	5,880	405	12,547
Due from other funds	3,629	52,335	-	501,539
Total Assets	$ 2,156,434	$ 6,725,334	$ 670,185	$ 13,384,265
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 266,309	$ 388,050	$ 222	$ 34,826
Due to other funds	1,367,543	464	-	39
Total Liabilities	1,633,852	388,514	222	34,865
Fund Balances:				
Restricted	24,334	-	669,963	542,508
Committed	-	6,336,820	-	-
Assigned	498,248	-	-	12,806,892
Total Fund Balances	522,582	6,336,820	669,963	13,349,400
Total Liabilities and Fund Balances	$ 2,156,434	$ 6,725,334	$ 670,185	$ 13,384,265

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ 17,427,469	$ -	$ 38,215,409
-	-	1,590,775
-	-	557,503
$ 17,427,469	$ -	$ 40,363,687
$ -	$ -	$ 689,407
-	-	1,368,046
-	-	2,057,453
17,427,469	-	18,664,274
-	-	6,336,820
-	-	13,305,140
17,427,469	-	38,306,234
$ 17,427,469	$ -	$ 40,363,687

SWEETWATER UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES				
Local Control Funding Formula	$ 11,890,000	$ 1,603,800	$ -	$ -
Federal sources	2,127,859	-	-	-
Other State sources	562,226	-	-	-
Other local sources	903,681	22,109	626,037	1,337,514
Total Revenues	15,483,766	1,625,909	626,037	1,337,514
EXPENDITURES				
Current				
Instruction	8,375,812	-	-	-
Instruction-related activities:				
Supervision of instruction	1,236,416	-	-	-
Instructional library, media, and technology	214,263	-	-	-
School site administration	3,167,665	-	-	-
Pupil services:				
All other pupil services	749,354	-	-	-
Administration:				
All other administration	664,517	-	5,135	-
Plant services	1,310,184	2,108,862	-	1,794,879
Facility acquisition and construction	-	1,999,016	-	1,915
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	149,830
Total Expenditures	15,718,211	4,107,878	5,135	1,946,624
Excess (Deficiency) of Revenues Over Expenditures	(234,445)	(2,481,969)	620,902	(609,110)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(20,159)	-	(1,100,000)	-
Net Financing Sources (Uses)	(20,159)	-	(1,100,000)	-
NET CHANGE IN FUND BALANCES	(254,604)	(2,481,969)	(479,098)	(609,110)
Fund Balances - Beginning	777,186	8,818,789	1,149,061	13,958,510
Fund Balances - Ending	$ 522,582	$ 6,336,820	$ 669,963	$ 13,349,400

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ -	$ -	$ 13,493,800
-	-	2,127,859
212,184	-	774,410
22,087,816	-	24,977,157
22,300,000	-	41,373,226
-	-	8,375,812
-	-	1,236,416
-	-	214,263
-	-	3,167,665
-	-	749,354
-	-	669,652
-	-	5,213,925
-	-	2,000,931
7,720,000	7,950,000	15,670,000
11,805,441	6,785,861	18,741,132
19,525,441	14,735,861	56,039,150
2,774,559	(14,735,861)	(14,665,924)
-	14,735,861	14,735,861
(2,120,138)	-	(3,240,297)
(2,120,138)	14,735,861	11,495,564
654,421	-	(3,170,360)
16,773,048	-	41,476,594
$ 17,427,469	$ -	$ 38,306,234

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that have been recorded in the current period as revenues that had not been expended as of June 30, 2015. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues reported from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 34,132,230
Medi-Cal Billing Option	93.778	(65,770)
Total Schedule of Expenditures of Federal Awards		$ 34,066,460

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. The District neither met nor exceeded its target funding. 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 1986-87 requirements, as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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.

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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Sweetwater Union High School District
Chula Vista, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweetwater Union High School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Sweetwater Union High School District's basic financial statements, and have issued our report thereon dated December 9, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sweetwater Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sweetwater Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sweetwater Union High School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sweetwater Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Sweetwater Union High School District in a separate letter dated December 9, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 9, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Governing Board
Sweetwater Union High School District
Chula Vista, California

Report on Compliance for Each Major Federal Program

We have audited Sweetwater Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sweetwater Union High School District's major Federal programs for the year ended June 30, 2015. Sweetwater Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sweetwater Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Sweetwater Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Sweetwater Union High School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Sweetwater Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major Federal program is not modified with respect to these matters.

Sweetwater Union High School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Sweetwater Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Sweetwater Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sweetwater Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sweetwater Union High School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be significant deficiencies.

Sweetwater Union High School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Sweetwater Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 9, 2015

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

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Sweetwater Union High School District
Chula Vista, California

Report on State Compliance

We have audited Sweetwater Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Sweetwater Union High School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Sweetwater Union High School District's State programs based on our audit of the types of compliance requirements referred to above. 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 the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Sweetwater Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion~~s~~. Our audit does not provide a legal determination of Sweetwater Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Sweetwater Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Sweetwater Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District is a high school district and does not offer kindergarten classes; therefore, we did not perform procedures over kindergarten continuance.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District is a high school district and does not offer K-3 classes; therefore, we did not perform procedures over K-3 Grade Span Adjustment.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 9, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SWEETWATER UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,021,994
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

The following finding represents significant deficiencies, material weaknesses, and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2015-001 Code 50000

Federal Program Affected

Title: Child Nutrition Cluster
CFDA: 10.553, 10.555, 10.556, 10.559
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Agriculture (USDA)

Criteria or Specific Requirements

Per Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(e)(3) requires a school food account to establish an average price for the current school year that is not less than the average price charged in the previous school year when the average price from the prior school year is lower than the difference in reimbursement rates as determined in Title 7, Code of Regulations, Part 210, Subpart C, Section 210.14 paragraph (e)(1)(iii).

Condition

During the 2014-2015 fiscal year, the District's school food account did not comply with Title 7, Part 210, Subpart C, Section 210.14(e)(3). The school food account needed to increase the paid lunch prices by $0.10 in the 2014-2015 school year after the calculation was performed using the paid lunch equity tool provided by the USDA. The school food account did not increase the prices rendering them out of compliance.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

The condition was identified as a result of the review of the District's paid lunch equity calculation form and supporting documents.

Effect

The paid lunch equity is a direct and material compliance requirement that the District must adhere to. The District is non-compliant with the requirements stated in Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(e)(3).

Cause

The condition identified appears to have materialized due to the District's lack of awareness of requirements under Title 7, Part 210, Subpart C, Section 210.14(e)(3).

Recommendation

The District should review the requirements stated in Title 7, Part 210, Subpart C, Section 210.14(e)(3) and implement a procedure to address the deficiency currently identified with the District's paid lunch equity requirement. Specifically, we recommend the school food account perform the paid lunch equity calculation prior to the start of the school year to give itself time to adjust the paid lunch prices if required.

Corrective Action Plan

The District agrees with this finding and has increased the price of paid meals effective the 2015-2016 school year. The Nutrition Services Department did not implement the change in 2014-2015 due to numerous administrative changes. The California Department of Education has verified that this observation carries no fiscal implications.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

There were no audit findings reported in the prior year's schedule of financial statement findings.

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

Governing Board
Sweetwater Union High School District
Chula Vista, California

In planning and performing our audit of the financial statements of Sweetwater Union High School District (the District) for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 9, 2015, on the government-wide financial statements of the District.

INTERNAL ACCOUNTING CONTROL

Disbursements

Observation

Although the conferences were subsequently ratified by the Board, we noted four of the 40 disbursements reviewed for travel and conference advances were not reconciled and/or had receipts submitted on a timely basis.

Recommendation

The District should enforce the current policy for travel advances indicating that receipts are required to be submitted for all expenses within 15 days upon the conclusion of the event. Each employee is required to complete an expense log envelope with the valid receipts and proper signatures before returning the envelope to the Accounting Department.

ASSOCIATED STUDENT BODY FUNDS

Granger Junior High School ASB

Observation

ASB disbursements are not consistently approved prior to purchases taking place. This could potentially lead to spending in excess of available funds. Twelve out of 15 ASB disbursements tested were being made without the presence of proper authorization from the student council (invoice dated prior to approval).

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Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Mar Vista High School ASB

Observations

During the audit of student body funds, we noted the following issues:

- Disbursements were not approved before the commitment was made with the vendor.
- Seven disbursements were made without explicit receiving documentation for goods being ordered (i.e. receiving signature/initial). As a result, vendor invoices were being paid without the direct knowledge of whether or not the goods being ordered have been received and/or reviewed.
- One revenue potential form was not completed accurately.

Recommendations

- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
- All goods being ordered should be documented with explicit receiving documentation and forwarded to ASB Finance Tech. Documentation should indicate the date that the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation has been received by the bookkeeper.
- Revenue potential forms are vital internal control tools and should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project.

Eastlake Middle School ASB

Observations

During the audit of student body funds, we noted the following issues:

- One receipt was deposited 22 days after receiving the monies and the initial receipt date. This may result in large cash balances being maintained at the site which severely decreases the safeguarding of the asset.
- Disbursements were not approved before the commitment was made with the vendor for four out of sixteen disbursements tested.
- The site is not maintaining a ticket control log. In addition, ticket rolls used for lunch dances were not present during the audit, even though there was no dance held that day. A student sales form was not completed fully for ticketed events. The form tested did not include explanations for shortage of cash.

Recommendations

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit.
- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
- Accountability of tickets should be assigned throughout all phases of the cash receipting/depositing procedures of a fundraising event. In order to ensure accountability of cash, the site should ensure that deposits are accompanied by all supporting documentation indicating the amount of items sold. This will allow a reconciliation to occur that would document monies collected compared to items sold.

Eastlake High School ASB

Observations

During the audit of student body funds, we noted the following issues:

- One receipt was not made on a timely basis. We noted the receipt was deposited 14 days after receiving the monies and the initial receipt date. This may result in large cash balances being maintained at the site which severely decreases the safeguarding of the asset.
- Disbursements were not approved before the commitment was made with the vendor for one out of thirteen disbursements tested.
- Three of the four revenue potential forms reviewed were not properly completed. The form did not include the potential income collected from the fundraising activity.

Recommendations

- At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit.
- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
- Revenue potential forms are vital internal control tool and should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 9, 2015

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. 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. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com, provided that nothing contained in such website is incorporated into this Official Statement.

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the 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-only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Sweetwater Union High School District (the "District") in connection with the issuance of $168,710,000 aggregate initial principal amount of Sweetwater Union High School District 2016 General Obligation Refunding Bonds (the "Refunding Bonds") and $97,000,000 aggregate initial principal amount of the Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2016B (the "Series B Bonds" and, together with the Refunding Bonds, the "Bonds" and with each referred to herein as a "Series" of Bonds). Each Series of Bonds is being issued pursuant to a separate Resolution of the Board of Trustees of the District relating to such Series of the Bonds (Resolution No. 4402 with respect to the Refunding Bonds and Resolution No. 4403 with respect to the Series B Bonds), each adopted on January 25, 2016 (each, a "Bond Resolution" and, together, the "Bond Resolutions"). The District covenants and agrees as follows:

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

Section 2. Definitions. In addition to the definitions set forth in the respective Bond 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 hereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"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.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated March 9, 2016 (including all exhibits or Appendices thereto), relating to the offer and sale of Bonds.

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

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

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2014-15 Fiscal Year (which is due not later than April 1, 2016), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof; provided, however, that delivery of the Official Statement for the Bonds shall constitute the annual report for 2014-15 fiscal year. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send a notice to the MSRB, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; 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 to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference 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 by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

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

(i) The adopted budget of the District for the then current fiscal year.

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

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

(v) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll including that information for the then current fiscal year appearing in the tables entitled "Summary of Assessed Valuations," "Secured Assessed Valuation and Parcels By Land Use" and "Twenty Largest Secured Taxpayers."

(vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(vii) Other financial information and operating data relating to the District contained in the Official Statement for the Bonds in the table under the headings "TAX BASE FOR REPAYMENT OF THE BONDS – Ad Valorem Property Taxes," "– Assessed Valuations," "– Tax Rates," "– Tax Collections" and "Direct and Overlapping Debt" for the previous Fiscal Year, and, where such information or data is in tabular form, for the five most recent Fiscal Years for which the information is available.

Any or all of the items listed above may be set forth in one or a set of documents or 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 made available to the public on the MSRB's website. 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 subsections (a) and (b), the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of the credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v) hereof, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional trustee or the change of name of a trustee.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) 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 respective Bond Resolution.

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

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

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(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in each respective Bond Resolution for amendments to the respective Bond Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

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

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of San Diego or in U.S. District Court in or nearest to the County of San Diego. A default under this Disclosure Certificate shall not be deemed an event of default under the respective Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Dated: March 24, 2016

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: ____________________________________
Chief Financial Officer

ACKNOWLEDGED AND ACCEPTED:

SPECIAL DISTRICT FINANCING & ADMINISTRATION, as Dissemination Agent

By: ____________________________________
Authorized Representative

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Sweetwater Union High School District
Name of Issue:	Sweetwater Union High School District 2016 General Obligation Refunding Bonds, and Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2016B
Date of Issuance:	March 24, 2016

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated March 24, 2016. [The District anticipates that the Annual Report will be filed by _____________.]

Dated: _______________

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: ____________________________________
Chief Financial Officer

APPENDIX E

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

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 opinions with respect to the Bonds in substantially the following forms:

[Date of Delivery]

Board of Trustees of the
Sweetwater Union High School District
1130 Fifth Avenue
Chula Vista, CA 91911

Re: $168,710,000 Sweetwater Union High School District
2016 General Obligation Refunding Bonds
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 $168,710,000 principal amount of Sweetwater Union High School District 2016 General Obligation Refunding Bonds ("Bonds"). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on January 25, 2016 (Resolution No. 4402) ("Bond Resolution"), and in accordance with the statutory authority set forth in Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. The Bonds are being issued to refund certain outstanding general obligation bonds of the District and to pay costs of issuance of the Bonds.

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 and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution, the Tax Certificate 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 the effect on 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 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 creditors' rights and remedies, to the application of equitable principles 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 and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

BOWIE, ARNESON, WILES & GIANNONE

[Date of Delivery]

Board of Trustees of the
Sweetwater Union High School District
1130 Fifth Avenue
Chula Vista, CA 91911

Re: $97,000,000 Sweetwater Union High School District
General Obligation Bonds, Election of 2006, Series 2016B
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 $97,000,000 principal amount of Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2016B ("Bonds"). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on January 25, 2016 (Resolution No. 4403) ("Bond Resolution"), and in accordance with the statutory authority set forth in Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and the provisions of California Education Code, Article 1 of Chapter 1.5 of Part 10 of Division 1 of Title 1, and other applicable law. The Bonds are being issued to refund certain outstanding general obligation bonds of the District and to pay costs of issuance of the Bonds.

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 and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution, the Tax Certificate 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 the effect on 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 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 creditors' rights and remedies, to the application of equitable principles 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 and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

BOWIE, ARNESON, WILES & GIANNONE

APPENDIX F

COUNTY OF SAN DIEGO INVESTMENT POOL DISCLOSURE

The following information concerning the Treasury Pool of San Diego County (the "Treasury Pool") has been provided by the County Treasurer and has not been confirmed or verified by the District or the Underwriters. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

In accordance with Government Code Section 53600 et seq., the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53635 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

All investments in the County Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the San Diego County Board of Supervisors and the County Treasurer's investment policy.

General

Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County 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, are required under state law to be deposited into 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 "Treasury 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 pursuant to State law. The members of the Oversight Committee include the County Treasurer, the County Auditor, the County Superintendent of Schools or designee, a representative from special districts, a representative from school districts and community college districts in the County, and members of the public. The role of the Oversight Committee is to review and approve the Investment Policy that is prepared by the County Treasurer.

The Treasury Pool's Portfolio

As of January 31, 2016, the securities in the Treasury Pool had a market value of $8.721 billion and a book value of $8.717 billion, for a net unrealized loss of $4.121 million of the book value of the Treasury Pool.

The effective duration for the Treasury Pool was 0.71 years as of January 31, 2016. “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 0.71 years means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.71%.

As of January 31, 2016, approximately 5.63% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 11.51% by community colleges, 33.79% by the County, 2.26% by the Non-County and 46.81% by K-12 school districts.

Standard & Poor’s Ratings Group maintains ratings of “AAAf” (extremely strong protection against losses and credit defaults) and “S-1” (low sensitivity to changing market conditions) on the Pool. 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 Treasury 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 (both collateralized 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 shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreement generally may not exceed 20% of the base value of the portfolio and the term of the 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. At all times, the Pool’s investments will comply with California Government Code and the County’s Investment Policy (the “Investment Policy”).

The Investment Policy: The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer’s control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County 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. Furthermore, at least 25% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 1.50 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 and/or securities lending agreements to 20% of the total investments in the Pool. The Investment Policy states that the uses of reverse repurchase agreements shall be to invest the proceeds from the agreement into permissible securities that have the highest short-term credit ratings; to supplement the yield on securities owned by the Pool; or to provide funds for the immediate payment of an obligation. The maturity of the reverse repurchase agreement and the maturity of the security purchased shall be the same.

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 simultaneous 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 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.

The Investment Policy also authorizes investments in covered call options and put options, which are options that the County Treasurer sells to a third party the right to buy an existing security in the Pool or sell a security to the Pool, both at a specific price within a specific time period. 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 written against them at any given time.

Certain Information Relating to Pool

The following table reflects information with respect to the Pool as of the close of business January 31, 2016. 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 table 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, 2016, the Pool necessarily would have received the values specified.

COUNTY OF SAN DIEGO POOLED MONEY FUND
as of January 31, 2016

	Percent of Portfolio	WAM	WAC	YTM	Current Par/Share	Current Book	Market Price	Market Value	Current Accr Int	Yield to Worst	Unrealized Gain/Loss
Bank Notes											
Certificates of Deposit	0.56	59	59	0.28	48,763,000	48,763,000	1.00	48,763,000	1,710	0.28	0
Commercial Paper	33.04	100	100	0.60	2,886,000,000	2,880,348,214	1.00	2,877,114,491	0	0.60	(3,233,724)
Fannie Mae	7.94	610	494	0.99	690,668,000	692,523,140	1.01	694,222,172	1,772,177	0.96	1,699,031
Federal Farm Credit Bank Notes	4.94	296	296	0.53	431,000,000	430,884,552	1.00	430,899,960	624,743	0.53	15,409
Federal Home Loan Bank Notes	8.93	385	326	0.69	775,050,000	778,623,030	1.01	779,090,641	1,621,461	0.69	467,611
Federal Home Loan Mortgage Corp	7.06	1,018	443	1.15	614,000,000	615,290,017	1.01	617,044,800	1,474,753	1.01	1,754,783
Money Market Funds	2.04	1	1	0.37	177,762,000	177,762,000	1.00	177,867,000	52,567	0.37	105,000
Negotiable CD	23.52	132	132	0.67	2,050,000,000	2,050,002,731	1.00	2,050,000,000	2,420,426	0.67	(2,731)
Repurchase Agreements	0.01	1	-	0.01	768,205	768,205	1.00	768,205	-	0.01	-
Supranational	4.58	699	402	0.93	398,734,000	399,535,979	1.00	400,212,118	1,491,712	0.93	676,140
U.S. Treasury Notes	7.38	674	674	0.91	639,000,000	643,327,739	1.01	645,967,670	1,849,243	0.91	2,639,931
Totals for January 2016	100.00	315	246	0.72	8,711,745,205	8,717,828,607	1.00	8,721,950,057	11,308,792	0.71	4,121,450
Totals for December 2015	100.00	326	268	0.67	8,511,687,000	8,519,766,645	1.00	8,510,205,666	10,547,942	0.67	(9,560,979)
Change From Prior Month		(11)	(22)	0.05	200,058,205	198,601,962	0.00	211,744,391	760,850	0.04	13,682,429
Portfolio Effective Duration	0.71 years										

	January Return	Annualized Returns	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.048%	0.568%	0.386%	0.655%	0.048%	0.568%
Market Value	0.048%	0.568%	0.385%	0.654%	0.593%	0.593%

Notes:
Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate to the maturity date.
Yield to call (YTC) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the call date.
Yield to worst (YTW) is the lesser of yield to maturity or yield to call, reflecting the optionality of the bond issuer.
Yields for the portfolio are aggregate based on the book value of each security.
Source: County of San Diego, Treasurer-Tax Collector.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), 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 AGM, 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 AGM shall have received Notice of Nonpayment, AGM 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 AGM, 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM 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, AGM 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 AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM 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 AGM 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 AGM 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.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM 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 AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM 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 AGM, 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, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)