

**\$38,000,000**  
**SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**ELECTION OF 2000**  
**GENERAL OBLIGATION BONDS, SERIES A**

**INDEX OF CLOSING DOCUMENTS**

**COUNTY DOCUMENTS**

1. Resolution 01-54 Of The Board Of Supervisors Of San Diego County, California, Authorizing The Issuance Of Sweetwater Union High School District Election Of 2000 General Obligation Bonds, Series A, In An Aggregate Principal Amount Of Not To Exceed Forty-Five Million Dollars (\$45,000,000).
2. Certificate of County
3. Tax Certificate of County
4. Receipt for Bond Proceeds
5. IRS Form 8038G
6. Specimen Bond

**SCHOOL DISTRICT DOCUMENTS**

7. Resolution No. 2910 Approving the Form of Preliminary Official Statement, Bond Purchase Agreement and Continuing Disclosure Agreement for the Sweetwater Union High School District, San Diego County, California Election of 2000 General Obligation Bonds, Series A
8. Resolution No. 2889 Requesting The Board Of Supervisors Of The County Of San Diego To Sell The Sweetwater Union High School District, San Diego County, 2000 General Obligation Bonds Series A, And Approving Certain Other Matters Related Thereto
9. Certificate of District
10. Certificate of Financial Consultant
11. Tax Certificate of District
12. Preliminary Official Statement
13. Official Statement
14. Continuing Disclosure Certificate

## NEW ISSUE - BOOK-ENTRY ONLY

## RATINGS

Standard &amp; Poor's: AAA

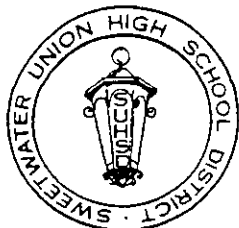
Moody's: Aaa

(See "CONCLUDING INFORMATION - Ratings on the Bonds" herein)

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, under existing law and assuming continuing compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not included in the gross income of the Owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals or corporations. Interest on the Bonds may be included in the calculation of certain taxes, however, including the alternative minimum tax and environmental tax on corporations. Interest on the Bonds will be exempt from present State of California personal income taxes. See "LEGAL MATTERS - Tax Matters" herein.

## SAN DIEGO COUNTY

## STATE OF CALIFORNIA



\$38,000,000

# SWEETWATER UNION HIGH SCHOOL DISTRICT ELECTION OF 2000 GENERAL OBLIGATION BONDS, SERIES A

Dated: Date of Delivery

Due: August 1, as shown below.

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

Interest on the Bonds is payable on February 1, 2002, and semiannually thereafter on August 1 and February 1 of each year until maturity or earlier redemption (each, a "Bond Payment Date") (see "THE BONDS - General Provisions" and "THE BONDS - Redemption" herein).

Payment of the principal at the stated maturity of and interest with respect to the Bonds will be guaranteed by a Financial Guaranty Insurance Policy to be issued by MBIA Insurance Corporation simultaneously with the execution and delivery of the Bonds. See "SECURITY FOR THE BONDS - Bond Insurance" herein.



## MATURITY SCHEDULE \$24,425,000 Serial Bonds

Maturity Date	Principal	Interest	Reoffering	Maturity Date	Principal	Interest	Reoffering
<u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>August 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2002	\$1,885,000	4.000%	3.00%	2011	\$1,155,000	4.100%	4.20%
2003	2,890,000	4.500	3.20	2012	1,205,000	4.200	4.30
2004	1,185,000	3.250	3.35	2013	1,255,000	4.300	4.40
2005	1,425,000	3.375	3.50	2014	1,310,000	4.375	4.50
2006	1,475,000	3.500	3.65	2015	1,365,000	5.125	4.60
2007	1,525,000	3.625	3.75	2016	1,435,000	5.125	4.70
2008	1,030,000	3.750	3.85	2017	1,510,000	5.250	4.75
2009	1,070,000	4.000	3.95	2018	1,590,000	5.250	4.80
2010	1,115,000	4.000	4.05				

\$3,430,000 4.75% Term Bonds due August 1, 2020, Yield 5.00%

\$10,145,000 5.00% Term Bonds due August 1, 2025, Yield 5.09%

The Bonds are general obligations of the Sweetwater Union High School District. The Board of Supervisors of San Diego County is empowered and obligated to levy ad valorem taxes, without limitation of rate or amount, upon all property within the District subject to taxation, for the payment of interest on and principal of the Bonds when due (see "SECURITY FOR THE BONDS" herein). The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel. Certain legal matters will be passed on for the District by District Counsel and by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery in New York, New York on or about April 10, 2001 for deposit with The Depository Trust Company (see "THE BONDS - General Provisions - Book-Entry Only System" herein).

The date of the Official Statement is March 27, 2001.

**SWEETWATER UNION HIGH SCHOOL DISTRICT  
SAN DIEGO COUNTY, CALIFORNIA**

**BOARD OF TRUSTEES**

Mr. Robert Griego, *President*  
Mr. Greg R. Sandoval, *Vice-President*  
Mr. Jim Cartmill, *Member*  
Mrs. Arlie N. Ricasa, *Member*  
Ms. Pearl Quinones, *Clerk*

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**ADMINISTRATION**

Dr. Edward M. Brand, *Superintendent*  
Mr. Barry S. Dragon, *Chief Finance Officer*  
Mr. John Rayburn, *Assistant Superintendent, Administration*  
Ms. Kathleen Wright, *Director of Planning and Construction*

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**PROFESSIONAL SERVICES**

**Bond Counsel and Disclosure Counsel**  
Best Best & Krieger LLP  
San Diego and Riverside, California

**Financing Consultant**  
Harrell & Company Advisors, LLC  
Orange, California

**Underwriter**  
UBS PaineWebber Inc.  
Los Angeles, California

**Bond Registrar**  
County of San Diego Treasurer - Tax Collector  
San Diego, California

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**FOR ADDITIONAL INFORMATION**

Sweetwater Union High School District, Chula Vista, California (619) 691-5550  
Harrell & Company Advisors, LLC (714) 939-1464

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained herein. If given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The Official Statement is not to be construed as a contract with the purchasers of the Bonds, Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from official sources which are believed to be reliable. However, the information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or the Financing Consultant. The information and expression 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 or any other parties described since the date hereof. This Official Statement is being 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, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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**OFFICIAL STATEMENT**  
**\$38,000,000**  
**SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**ELECTION OF 2000**  
**GENERAL OBLIGATION BONDS, SERIES A**

This Official Statement which includes the cover page and appendices (the "Official Statement") is provided by the District to furnish certain information concerning the Sweetwater Union High School District, Election of 2000, General Obligation Bonds, Series A (the "Bonds"), in the aggregate principal amount of \$38,000,000, to be offered by the County of Santa Diego, California (the "County") on behalf of the District.

**INTRODUCTION**

*This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

**The Issuer**

The Sweetwater Union High School District was established in 1922. The District encompasses 154 square miles in south western San Diego County, and serves approximately 35,000 students (see "SWEETWATER UNION HIGH SCHOOL DISTRICT" herein).

**Authorization**

The Bonds are issued pursuant to the provisions of Chapter 1 of Part 10 of Division 1 of Title 1 of the California Education Code commencing with Section 15100 (the "Act") and pursuant to resolutions adopted by the Board of Trustees of the District on December 11, 2000 and by the Board of Supervisors of the County on March 13, 2001 (collectively, the "Resolution"). The District received authorization at an election held November 7, 2000 by more than a two-thirds majority of the votes cast by eligible voters within the District, to issue \$187 million of general obligation bonds (the "Authorization"). The Bonds represent the first series of bonds pursuant to the Authorization.

**Security and Sources of Repayment**

**The Bonds.** The Bonds are being issued pursuant to the Resolution.

The Bonds are general obligations of the District. The Board of Supervisors of the County is empowered and obligated to levy ad valorem taxes, without limitation of rate or amount, upon all property within the District subject to taxation, for the payment of interest on and principal of the Bonds when due (see "SECURITY FOR THE BONDS" and "FINANCIAL INFORMATION" herein).

**The Project.** Measure "BB" for remodeling, new construction and renovation (the "Project") consists of \$187 million of work addressing facilities needs at 18 secondary schools, a new adult school facility and a portion of a new high school. Completion of the entire Project will be phased over 20 years. The District anticipates issuing additional series of bonds under the Measure "BB" authorization in six series over a period of 15 years.

## Purpose

The Bonds are being issued to provide funds for a portion of the costs to construct the San Ysidro Area High School No. 12, for modernization projects at three schools and to pay the expenses incurred in connection with the issuance of the Bonds (see "THE BONDS- Estimated Sources and Uses of Funds" and "THE PROJECT" herein).

## The Bonds

**Redemption.** The Bonds maturing on or after August 1, 2012 are subject to optional redemption prior to maturity, in whole or in part, in a manner determined by the District, on any Bond Payment Date on or after August 1, 2011, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, as described herein (see "THE BONDS - Redemption - Optional Redemption" herein).

The Bonds maturing August 1, 2020 and August 1, 2025 are subject to mandatory sinking fund redemption, in part by lot, on August 1 in each year commencing August 1, 2019 with respect to the Bonds maturing August 1, 2020 and commencing August 1, 2021 with respect to the Bonds maturing August 1, 2025 from Sinking Fund payments required to be paid on such dates, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, as described herein (see "THE BONDS - Redemption - Sinking Fund Redemption" herein).

**Denominations.** The Bonds will be issued in the minimum denomination of \$5,000 each or any integral multiple thereof (see "THE BONDS - General Provisions" herein).

**Registration, Transfer and Exchange.** The Bonds will be issued in fully registered form without coupons. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Resolution. When delivered, the Bonds will be registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. DTC will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only. Purchasers of the Bonds will not receive certificates representing their Bonds purchased (see "THE BONDS - General Provisions - Book-Entry Only System" herein).

**Payment.** Principal of the Bonds and any premium upon redemption will be payable in each of the years and in the amounts set forth on the cover page hereof, upon surrender at the office of the County of San Diego Treasurer - Tax Collector (the "Bond Registrar") in San Diego, California. Interest on the Bonds will be paid by check of the Bond Registrar mailed by first class mail to the person entitled thereto (except as otherwise described herein for interest paid to an account in the United States of America by wire transfer as requested in writing no later than the applicable Record Date by owners of \$1,000,000 or more in aggregate principal amount of Bonds) (see "THE BONDS - General Provisions" herein). Initially, interest on and, principal and premium, if any, of the Bonds will be payable when due by wire of the Bond Registrar to DTC which will in turn remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which will in turn remit such interest, principal and premium, if any, to Beneficial Owners (as defined herein) of the Bonds (see "THE BONDS - General Provisions - Book-Entry Only System" herein).

**Notice.** Notice of any redemption will be mailed by first class mail by the Bond Registrar at least thirty (30) but no more than forty-five (45) days prior to the date fixed for redemption to the registered owners of any Bonds designated for redemption and to the Securities Depositories and Information Services provided in the Resolution. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date (see "THE BONDS - Redemption - Notice of Redemption" herein).

## Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading "LEGAL MATTERS" herein. Certain legal matters will be passed on for the District by District Counsel and by Best Best & Krieger LLP, Riverside, California, Disclosure Counsel.

## Professional Services

The Financing Consultant advised the District as to the financial structure and certain other financial matters relating to the Bonds. Fees payable to Bond Counsel, Disclosure Counsel and the Financing Consultant are contingent upon the sale and delivery of the Bonds.

The District's financial statements for the fiscal year ended June 30, 2000, attached hereto as "APPENDIX B" have been audited by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants & Consultants, Rancho Cucamonga, California.

## Information Concerning this Official Statement

This Official Statement speaks only as of its date. The information set forth herein has been obtained by the Underwriter and the Financing Consultant from the District and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, nor has it been independently verified and is not to be construed as a representation by the Underwriter, the Financing Consultant or the District. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended as such and are not to be construed as representations of fact. The information and expressions of opinion herein are subject to change without notice and the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the District since the date hereof.

**Continuing Disclosure.** The District will covenant to provide annually certain financial information and operating data relating to the District by not later than eight months after the end of the District's fiscal year, each year commencing February 28, 2002 and to provide the audited General Purpose Financial Statements of the District for the fiscal year ending June 30, 2001 and for each subsequent fiscal year when they are available (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events if deemed by the District to be material. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission (the "Repositories") and a State repository, if any. The notices of material events will be timely filed by the District with the Municipal Securities Rulemaking Board and the State repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the continuing disclosure obligation are set forth in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE".

The District has complied with all previous undertakings to provide any required continuing disclosure.



**Availability of Legal Documents.** The summaries and references contained herein with respect to the Resolution, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Resolution. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Financing Consultant. Copies of these documents may be obtained after delivery of the Bonds from the District at Sweetwater Union High School District, Chula Vista, California, telephone (619) 691-5550.

# THE BONDS

## General Provisions

**Repayment of the Bonds.** Interest on the Bonds is payable at the rates per annum set forth on the cover page hereof. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal of the Bonds is payable on August 1 in each of the years and in the amounts set forth on the cover page hereof.

Each Bond will be dated as of the Date of Delivery, and interest will be payable from the Bond Payment Date next preceding the date of authentication thereon, unless (a) it is authenticated following a Record Date and on or before the next succeeding Bond Payment Date, in which event interest thereon will be payable from such Bond Payment Date; or (b) it is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Date of Delivery; provided, however, that if, as of the date of any Bond, interest on such Bond is in default, interest on such Bond will be payable from the Bond Payment Date to which interest has previously been paid or made available for payment with respect to such Bond.

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

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 each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 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, but Beneficial Owners are 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

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

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

**Discontinuance of Book-Entry Only System.** DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Resolution. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the Resolution. In addition, the following provisions shall apply: interest with respect to the Bonds will be payable by check of the Bond Registrar mailed by first class mail on the applicable Bond Payment Date to the Owners thereof provided that in the case of an Owner of \$1,000,000 or greater in principal amount of Outstanding Bonds, such payment may, at such Owner's option, be made by wire transfer in immediately available funds to an account in the United States of America in accordance with written instructions provided prior to the applicable Record Date to the Bond Registrar by such Owner. The Owners of the Bonds shown on the Registration Books on the Record Date for the Interest Payment Date will be deemed to be the Owners of the Bonds on said Bond Payment Date for the purpose of the paying of interest. Principal of the Bonds and any premium upon early redemption will be payable upon presentation and surrender thereof, at the office of the Bond Registrar in San Diego, California.

**Transfer or Exchange of Bonds.** Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Resolution, upon surrender of such Bond for cancellation at the office of the Bond Registrar. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Bond Registrar shall execute and deliver a new Bond or Bonds for like aggregate principal amount and of like maturity. The Bond Registrar may require the payment by the Bondowner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Bond Registrar shall not transfer or exchange any Bonds or portions thereof during the period established by the Bond Registrar for selection of Bonds for redemption, or any Bonds selected for redemption.

## **Redemption**

**Optional Redemption.** The Bonds maturing on or after August 1, 2012 are subject to redemption prior to maturity on any Bond Payment Date on or after August 1, 2011, as a whole or in part, in a manner determined by the District, from any source of funds at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

**Sinking Fund Redemption.** The Bonds maturing August 1, 2020 and August 1, 2025 (the "Term Bonds") are subject to mandatory sinking fund redemption, in part by lot, on August 1 in each year commencing August 1, 2019 with respect to the Term Bonds maturing August 1, 2020 and commencing August 1, 2021 with respect to the Term Bonds maturing August 1, 2025 from Sinking Fund payments, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the redemption date in the aggregate principal amounts and on August 1 in the years as set forth in the following schedules. If some, but not all, of the Term Bonds have been redeemed pursuant to the optional redemption provisions described herein, the aggregate principal amount of the Term Bonds to be redeemed in each year thereafter shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among Sinking Fund payments on a pro-rata basis in integral multiples of \$5,000.

**SCHEDULE OF MANDATORY SINKING FUND REDEMPTIONS  
TERM BONDS MATURING AUGUST 1, 2020**

<b>August 1</b>	<b>Principal</b>
<b><u>Year</u></b>	<b><u>Amount</u></b>
2019	\$1,675,000
2020	1,755,000 (maturity)

**SCHEDULE OF MANDATORY SINKING FUND REDEMPTIONS  
TERM BONDS MATURING AUGUST 1, 2025**

<b>August 1</b>	<b>Principal</b>
<b><u>Year</u></b>	<b><u>Amount</u></b>
2021	\$1,835,000
2022	1,930,000
2023	2,025,000
2024	2,125,000
2025	2,230,000 (maturity)

In lieu of redemption, the Term Bonds may be purchased by the District and cancelled.

**Notice of Redemption.** When redemption is authorized or required, the Bond Registrar is required to give written notice to the respective Bondowners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, to the Securities Depositories and to one or more of the Information Services, all as provided in the Resolution, by first class mail, postage prepaid, no less than thirty (30), nor more than forty-five (45), days prior to the date fixed for redemption. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest from and after the redemption date.

**Effect of Redemption.** Interest on the Bonds (or portions thereof) called for redemption will cease to accrue on the date fixed for redemption and such Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Resolution and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Resolution contains no provisions requiring any publication of notice of redemption, and Bondowners must maintain a current address on file with the Bond Registrar to receive any notices of redemption.

**Partial Redemption.** In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Bond Registrar will authenticate to the Bondowner thereof, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount equal to the unrepaid portion of the Bond surrendered and of the same interest rate and the same maturity.

## Estimated Sources and Uses of Funds

The District will receive the proceeds from the sale of the Bonds and will apply them as follows:

### Sources of Funds

Principal Amount of Bonds	\$38,000,000
Underwriter's Discount	(104,120)
Original Issue Premium	<u>11,572</u>
Available Funds	\$37,907,452

### Uses of Funds

Debt Service Fund	\$ 11,572
Building Fund <sup>(1)</sup>	<u>37,895,880</u>
Total Uses	\$37,907,452

- (1) Costs of issuing the Bonds will be paid from amounts deposited in the Building Fund. Expenses include fees of Bond Counsel, the Financing Consultant, Disclosure Counsel, the Bond Registrar, bond insurance premiums, rating fees, costs of printing the Official Statement, and other costs of issuance of the Bonds.

## THE PROJECT

The District has adopted a Facilities Improvement Plan which identifies the capital needs at each school site in the District, based on aging classrooms, increasing enrollment, safety and access issues, increased technology demands and growing community needs. Measure "BB" was approved by District voters in November, 2000 and provides authorization for \$187 million in general obligation funding for the remodeling, new construction and renovations detailed in the Facilities Improvement Plan.

Projects to be funded with this first series of Bonds include (1) modernization of facilities at Chula Vista Middle School, Sweetwater High School and Mar Vista High School, in the approximate amount of \$24 million and (2) a portion of the construction of the San Ysidro Area High School in the approximate amount of \$12 million.

# SECURITY FOR THE BONDS

## General

The Bonds are general obligations of the District. The Board of Supervisors of the County is empowered and obligated to annually levy ad valorem taxes, without limitation of the rate of amount, for the payment of the principal and interest on the Bonds as it becomes due and payable, upon all property subject to taxation. See "FINANCIAL INFORMATION – Taxable Property and Assessed Valuation" herein.

The annual tax levy will be based on the assessed value on taxable property in the District. Fluctuations in the assessed value of property in the District, as well as the issuance of additional bonds provided in the Authorization, may cause the annual tax levy and tax rate to fluctuate.

## Bond Insurance

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to "APPENDIX E" for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Bond Registrar or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Bond Registrar or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Bond Registrar or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Bond Registrar payment of the

insured amounts due on such Bonds, less any amount held by the Bond Registrar for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1999, the Insurer had admitted assets of \$7.0 billion (audited), total liabilities of \$4.6 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2000, the Insurer had admitted assets of \$7.5 billion (unaudited), total liabilities of \$5.1 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA".

Fitch IBCA, Inc. rates the financial strength of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.



# CONSTITUTIONAL LIMITATION ON TAXES AND EXPENDITURES

## Article XIII A

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed one percent of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment". The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed two percent or a reduction in the consumer price index or comparable local data. Article XIII A has subsequently been amended to permit reduction of the 'full cash value' base in the event of declining property values caused by substantial damage, destruction or other factors, and 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 special circumstances.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of votes cast by the voters voting on the proposition, such as the Bonds.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms "purchase" and "change of ownership", for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same District, to transfer the old residence's assessed value to the new residence. In the March 26, 1996 general election, voters approved Proposition 193, which extends the parents-children exception to the reappraisal of assessed value. Proposition 193 amended Article XIII A so that grandparents may transfer to their grandchildren whose parents are deceased, their principal residences, and the first \$1,000,000 of other property without a re-appraisal of assessed value.

## Article XIII B

On October 6, 1979, California voters approved Proposition 4, or the Gann Initiative, which added Article XIII B to the California Constitution. The principal thrust of Article XIII B is to limit the annual appropriations of the State and any District, county, District and county, school district, authority or other political subdivision of the State. The "base year" for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by or for the entity and the proceeds of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, certain State subventions, and the proceeds to an entity of government, from (1) regulatory licenses, user charges and user fees, to the extent that such charges and fees exceed the costs reasonably borne in providing the regulation, product or service, and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity's 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.

In the June 1990 election, the voters approved Proposition 111 amending the method of calculation of State and local appropriations limits. Proposition 111 made several changes to Article XIII B. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") for the preceding year. Previously, the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the 1986/87 limit by the CPCPI for the three subsequent years. Third and lastly, Proposition 111 excluded appropriations for "qualified capital outlay for fiscal 1990/91 as defined by the legislature" from proceeds of taxes. The revisions required by Proposition 111 resulted in an increase in the District's appropriations limit for Fiscal Year 1992/93.

## Proposition 62

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Over the past 18 years, the voters have exercised this power through the adoption of Proposition 13 ("Article XIII A") and similar measures, the most recent of which was approved as Proposition 218 in the general election held on November 5, 1996. Proposition 62, also discussed below, was adopted in the November 1986 general election.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash flow problems in the payment of outstanding obligations such as the Lease Agreement.

Proposition 62 was a statutory initiative adding Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *District and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior written approval, the amount thereof must be withheld from the levying entity's allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995.

## Proposition 98

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act". Proposition 98 changed State funding of public education below the university level and the operation of the State Appropriations Limit, primarily by guaranteeing K-14 schools a minimum share of General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) in general, a fixed percent of General Fund revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost of living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and

Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988/89 Fiscal Year, implementing Proposition 98, determined the K-14 schools' funding guarantee under Test 1 to be 40.9% of the General Fund tax revenues, based on 1986/87 appropriations. However, that percent has been adjusted to approximately 35% to account for a subsequent redirection of local property taxes, since such redirection directly affects the share of General Fund revenues to schools.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIII B limit to K-14 schools (see "Article XIII B" above).

During the recession in the early 1990's, General Fund revenues for several years were less than originally projected, so that the original Proposition 98 appropriations turned out to be higher than the minimum percentage provided in the law. The Legislature responded to these developments by designating the "extra" Proposition 98 payments in one year as a "loan" from future years' Proposition 98 entitlements, and also intended that the "extra" payments would not be included in the Proposition 98 "base" for calculating future years' entitlements. By implementing these actions, per-pupil funding from Proposition 98 sources stayed almost constant at approximately \$3,529 from Fiscal Year 1991/92 to Fiscal Year 1993/94.

In 1992, a lawsuit was filed, called *California Teachers' Association v. Gould*, which challenged the validity of these off-budget loans. The settlement of this case, finalized in July, 1996, provides, among other things, that both the State and K-14 schools share in the repayment of prior year's emergency loans to schools over an eight year period.

## Proposition 187

On November 8, 1994, the voters approved Proposition 187, an initiative statute called "Illegal Aliens, Ineligibility for Public Services, Verification and Reporting, Initiative Statute" ("Proposition 187"). Proposition 187 specifically prohibited public funding of social services, health care services and public school education for the benefit of any person not verified as either a United States citizen or a person legally admitted to the United States. Among the provisions in Proposition 187 pertaining to public school education, the measure required, commencing January 1, 1995, that every school district in the State verify the legal status of every child enrolling in the district for the first time. By January 1, 1996, each school district was further required to verify the legal status of children already enrolled in the district and of all parents or guardians of all students. If the district "reasonably suspect(ed)" that a student, parent or guardian was not legally in the United States, that district must report the student to the United States Immigration and Naturalization Service and certain other parties. The measure also prohibited a school district from providing education to a student it does not verify as either a United States Citizen or a person legally admitted to the United States. The Legislative Analyst estimated that verification costs could be in the tens of millions of dollars on a statewide level (including verification costs incurred by other local governments) with the first-year costs potentially in excess of \$100 million.

Following adoption of Proposition 187, the Secretary of the United States Department of Education indicated that the reporting requirement in Proposition 187 could jeopardize the ability of school districts to receive funds under the Family Educational Rights and Privacy Act ("FERPA"), which generally prohibits schools that receive federal funds from disclosing information in student records without parental consent. FERPA funds to California school district total over \$2 billion each year.

Federal Court Procedural Motions: Preliminary Injunctions and Summary Judgment. After Proposition 187 was adopted, several actions challenging its constitutionality were commenced in federal and state courts in California against California Governor Pete Wilson, among others. Five actions filed in the United States District Court were consolidated in the United States District Court, Central District of California before Judge Marina R. Pfaelzer.

On December 14, 1994, Judge Pfaelzer granted the plaintiffs' motion for a preliminary injunction, enjoining the implementation and enforcement of section 4, 5, 6, 7 and 9 of Proposition 187. On November 20, 1995, Judge Pfaelzer granted in part and denied in part the plaintiffs' motion for summary judgment. The court granted the summary judgment motions with respect to the classification, notification and cooperation/reporting provision for section 4 through 9 of proposition 187 on the ground that these provisions created an impermissible state scheme to regulate immigration and were therefore preempted by State law. The court further held that section 7's denial of primary and secondary education conflicted with a 1982 United States Supreme Court Decision in *Phyllis v. Doe*, which held that the Equal Protection Clause of the Fourteenth Amendment prohibits states from excluding undocumented alien children from public schools.

The court denied plaintiffs' motion for summary judgment with respect to sections 2 and 3 and with respect to the benefits denial provisions in sections 5, 6 and 8 on the basis of the defendants' claim that it could promulgate regulations that would bring the procedure for denying benefits into conformity with federal law. Finally, the court further denied the motions for summary judgment with respect to section 8, which denies postsecondary education to certain categories of non-citizens.

The Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996. On August 22, 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the "PRA"), a comprehensive statutory scheme for determining aliens' eligibility for federal, state and local benefits and services. The PRA states that it is the immigration policy of the United States to restrict alien access to substantially all public benefits.

District Court Resolution of Proposition 187 Related Cases. On August 13, 1998, Judge Pfaelzer ruled that the PRA preempts all of Proposition 187 except section 2 (which establishes state criminal penalties for the manufacture, distribution, or sale of false documents to conceal the citizenship or resident alien status) and section 10 (which details the process for amendment of, and declares the severability of invalid portions of, the initiative).

Effect of Federal Court Ruling. On April 26, 1999, the former Attorney General of California, Dan Lungren, filed an appeal. On April, 26, 1999, the Ninth Circuit U.S. Court of Appeals granted Governor Davis' request for mediation of the Proposition cases. As a consequence, it cannot be predicted what the ultimate fiscal impact of Proposition 187 will be, nor the affect of Proposition 187 on the District or the Bonds.

## **Proposition 218**

On November 5, 1996, California voters approved Proposition 218 – Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments, and property related fees or charges. The District does not impose any such taxes, assessments, fees or charges; and, with the exception of the basic one percent ad valorem property tax levied and collected by the County pursuant to Article XIII A of the California Constitution, a portion of which is allocated to the District, no such taxes, assessments, fees or charges are imposed on behalf of the District. Accordingly, while 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, the District does not believe that Proposition 218 will directly impact the revenues available to pay principal and interest on the Bonds.

### **Proposition 227**

Proposition 227 was enacted in the California Primary Election held on June 2, 1998, and amends the California Education Code to require that all children in California public schools be taught exclusively in English, and require that all children who do not speak English or whose native language is not English be placed in English language immersion classrooms during a temporary transition period, normally not to exceed one year. Once such students acquire a good working knowledge of English, they are to be transferred to English language mainstream classrooms. The statute mandates penalties associated with not following the law as written.

Proposition 227 will also allocate \$50 million per year for free or subsidized adult English language instruction programs to parents or other members of the community who pledge to provide English language tutoring to California school children with limited English proficiency. The State Legislative Analyst's Office has concluded that since the level of spending on K-12 programs is based on a formula in the State Constitution, the \$50 million allocated for these adult English classes would probably not cause the level of State spending for K-12 programs to increase. On the contrary, as a result of this provision of Proposition 227, spending on other school programs would likely decrease by a corresponding amount. At the school level, it is possible that funds associated with bilingual programs may be reduced. At the District level, such amounts may be redirected to other programs.

On the day after the June 2nd election, a coalition of civil rights groups filed a lawsuit in the United States District Court in San Francisco seeking to enjoin implementation of Proposition 227. The District is currently analyzing various methods for compliance with Proposition 227, although many issues remain to be clarified.

### **Future Initiatives**

Articles XIII A, XIII B, and Propositions 62, 98, 111, 187, 218 and 227 were adopted as measures that qualified for the ballot pursuant to California's Constitutional initiative process. From time to time other initiative measures could be adopted, affecting the District's revenues and its ability to increase appropriations.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## General Information

The Sweetwater Union High School District, located in south coastal San Diego County, was established in January 1922. The District encompasses 154 square miles, and serves approximately 35,000 students. The District operates 8 middle schools, 2 junior high schools, 9 high schools and one continuation school. In addition, opportunities are available for adults through the District's Adult Education Program in four schools. The current pupil-teacher ratio is 28:1.

## Board of Trustees and Administration

The District is governed by a five-member Board of Trustees (the "Board"), whose members are elected to four-year terms. The terms are staggered on two-year intervals to provide for continuity of governance. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members or, if there is no majority, by a special election.

The members of the Board, the expiration dates of their terms and key administrative personnel are set forth below.

### BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Robert Griego	President	2004
Mr. Greg R. Sandoval	Vice-President	2002
Mr. Jim Cartmill	Member	2002
Mrs. Arlie N. Ricasa	Member	2002
Ms. Pearl Quinones	Clerk	2004

### ADMINISTRATION

Dr. Edward M. Brand	Superintendent
Mr. Barry S. Dragon	Chief Finance Officer
Mr. John Rayburn	Assistant Superintendent, Administration
Ms. Kathleen Wright	Director of Planning and Construction

The Superintendent of Schools of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other District administrators and supervisors. A brief background of the Superintendent and Chief Finance Officer are set forth below:

*Dr. Edward M. Brand, Superintendent.* Dr. Brand has been the District Superintendent since June, 1995. Prior to becoming Superintendent, he served as Associate Superintendent of Administration for two years and served as principal of three different high schools over a six-year period within San Diego County. He has worked in public education for twenty-four years. Dr. Brand obtained his Bachelor of Arts degree from California Western University, San Diego and his Masters and Doctorate degrees from United States International University, San Diego.

*Barry S. Dragon, Chief Finance Officer.* Mr. Dragon joined the District in 1989. Prior to entering education administration, Mr. Dragon served as Director of Finance for Avon Products, Inc., in New York. He received his Bachelor of Science degree, majoring in Accounting, from Northern Illinois University.

## Enrollment

The District's primary revenue source is State of California funds, entitlement to which is based upon student attendance. About 35% of the district's 2000/01 General Fund revenue budget is expected to be derived from State funds determined by student attendance. Average daily attendance ("ADA") is a measurement of the number of pupils attending classes of the District. Table No. 1 shows the District enrollment, ADA and funded revenue limits between 1991/92 and 2000/01 with estimates for 2001/02. In fiscal year 1998/99, the State of California changed its method of calculating ADA. Excused absences are no longer included in ADA figures. ADA figures also include direct funded charter schools.

**TABLE NO. 1**  
**SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**ENROLLMENT AND AVERAGE DAILY ATTENDANCE**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Change</u>	<u>Average Daily Attendance*</u>	<u>Change</u>	<u>Funded Revenue Limit</u>
1991/92	28,306	---	25,736	---	\$3,529
1992/93	28,748	1.6%	26,218	1.9%	\$3,595
1993/94	28,818	0.2%	26,168	(0.02)	\$3,582
1994/95	28,945	0.4%	26,378	0.8%	\$3,584
1995/96	29,596	2.2%	27,205	3.1%	\$3,750
1996/97	30,791	4.0%	28,245	3.8%	\$4,003
1997/98	31,760	3.1%	29,227	3.5%	\$4,105
1998/99	33,027	4.0%	30,580	4.6%	\$4,458
1999/00	34,004	3.0%	31,372	2.6%	\$4,611
2000/01	35,330	3.9%	32,596	3.9%	\$5,177
Increase between 1992 and 2001		24.8%		26.6%	
2001/02 (projected)	36,037	2.0%	33,247	2.0%	\$5,250

\* Excluding excused absences.

## District Employees

The District currently employs 2,205 certificated and 1,457 classified employees. Table No. 2 sets forth historical employee information for the District.

TABLE NO. 2  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
DISTRICT EMPLOYEES

Fiscal Year	Number of Employees		
	<u>Certificated</u>	<u>Classified</u>	<u>Total</u>
1992/93	1,719	1,084	2,803
1993/94	1,722	1,155	2,877
1994/95	1,721	1,146	2,867
1995/96	1,756	1,202	2,958
1996/97	1,810	1,197	3,007
1997/98	1,881	1,259	3,140
1998/99	1,911	1,331	3,242
1999/00	2,087	1,437	3,524
2000/01	2,205	1,457	3,662



# FINANCIAL INFORMATION

## Budgetary Process and Administration

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance for each year cannot exceed the revenues plus the carry over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

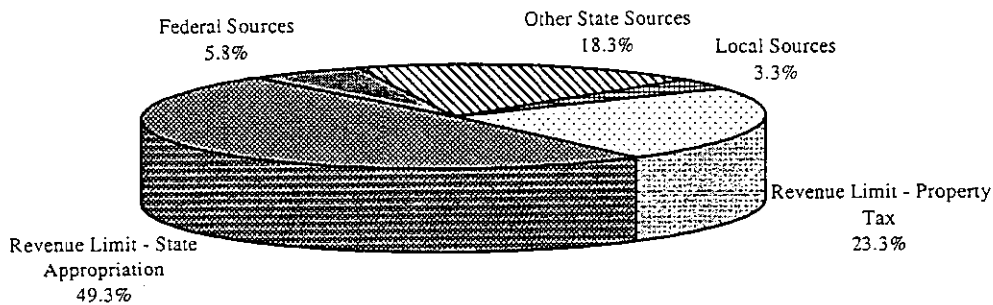
The District has implemented a single adoption method for approval of its annual budget. Prior to the adoption of a State Budget, the District adopts a proposed budget before June 30. On June 10, 2000, the District adopted its budget for Fiscal Year 2000/01. At the first interim report date as of October 31, the District adopts a Revised Budget, taking into account the adoption of the State's budget and the establishment of the revenue limit and State apportionment amounts.

## District Revenues

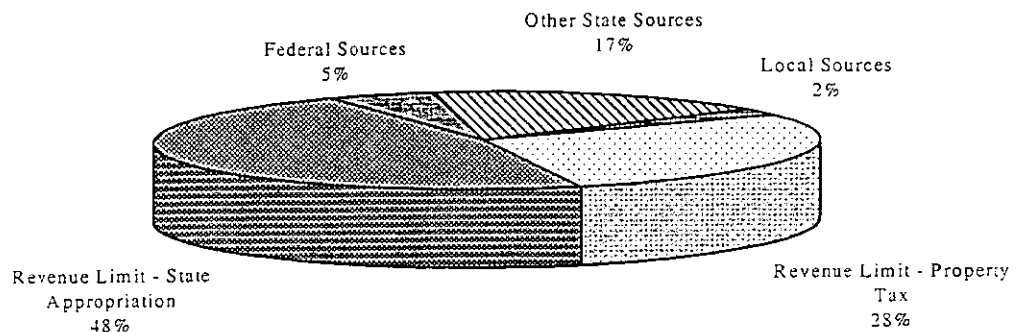
The District categorizes its General Fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues); (2) federal sources; (3) other State sources; and (4) other local sources. The following charts compare the District's General Fund actual revenues by source for 1999/00 with the budgeted revenues for 2000/01. Each of these revenue sources is described below.

### SWEETWATER UNION HIGH SCHOOL DISTRICT COMPARISON OF REVENUES BY SOURCE 1999/00 ACTUAL AND 2000/01 BUDGET

#### 1999/00 ACTUAL



#### 2000/01 BUDGET



## Revenue Limit Sources

Since fiscal year 1973/74, California school districts have operated under general purpose revenues limits established by the State Legislature. In general, the base revenue limits are calculated for each school district by multiplying (1) the ADA for each such district by (2) a base revenue limit per unit of ADA. The base revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all State school districts of the same type. In fiscal year 1999/00, the District's base revenue limit per unit of ADA was \$4,611. For fiscal year 2000/01, the District estimates that its revenue limit per unit of ADA will be \$5,117.

Revenue limit sources account for 72.5% of total District revenues in fiscal year 1999/00 and 77% of the 2000/01 fiscal year budget. Funding of the District's revenue limit is accomplished by a mix of (1) local property taxes, and (2) State apportionments of basic and equalization aid. The District's fiscal year 1999/00 share of the property tax revenue in the County and other transfers in is approximately \$47,349,000 or 23.2% of the District's General Fund Revenue and is approximately \$44,000,000 or 28% of General Fund Revenue in fiscal year 2000/01 (see "Ad Valorem Property Taxes" below). Generally, the State's apportionments amount to the difference between the District's revenue limit and its local property tax revenues. The principal apportionment was 49.3% of the District's General Fund Revenue for Fiscal Year 1999/00 and is budgeted to be 48% for Fiscal Year 2000/01.

## Federal Sources

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The federal revenues, all of which are restricted, are estimated to have comprised approximately 5.8% of General Fund Sources in fiscal year 1999/00 and are budgeted to equal approximately 5% of such revenues in fiscal year 2000/01.

## Other State Sources

In addition to apportionment revenue, the District receives substantial other State revenues ("Other State Sources"). In fiscal year 1999/00, Other State Sources are estimated to have accounted for approximately 16.0% of total General Fund Sources and in fiscal year 2000/01, Other State Sources are budgeted to equal approximately 15% of total General Fund Sources. These Other State Sources are primarily restricted revenues, which fund items such as the Special Education Master Plan, home to school transportation, instructional materials and mentor teachers.

The District receives State aid from the California State Lottery (the "Lottery") which was established by a constitutional amendment approved at the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction or the financing of research. Lottery revenues estimated to have been received by the District for the General Fund in fiscal year 1999/00 were approximately \$4,685,000 which amounted to approximately 2.3% of total General Fund Sources. For fiscal year 2000/01, Lottery revenue is budgeted to be approximately \$4,485,000, which also amounts to approximately 2% of budgeted total General Fund Sources.

## Other Local Sources

In addition to property taxes, the District receives additional local revenues from items such as the leasing of property owned by the District and interest earnings. Revenues from these Other Local Sources equaled approximately 3.3% of the total General Fund Sources in fiscal year 1999/00 and are budgeted at 2% of the total General Fund Sources in fiscal year 2000/01.

## State of California Fiscal Issues

During several years in the early 1990s, the State realized less tax receipts than it had previously budgeted, so that in each of those years public education received more in funding than its minimum entitlement under Proposition 98. See "CONSTITUTIONAL LIMITATION ON TAXES AND EXPENDITURES - Proposition 98" herein. The State legislature characterized the overfunded amounts as "loans" to be repaid from the Proposition 98 entitlement in future years. The aggregate amount of these "loans" is approximately \$1.76 billion. The validity of the "loan" characterization and repayment mechanism were challenged by the California Teachers' Association (CTA) (California Teachers Association v. Gould) which sought to void the obligation to repay the "loan" amounts.

On April 26, 1994, a Sacramento County superior court entered a judgment that K-14 districts are not obligated to repay the inter-year "loans." The decision was appealed by the State, and, pending appeal, CTA and the State reached a settlement which became final on April 12, 1996. Pursuant to the settlement agreement, no new inter-year "loans" will be created; the existing "loans" are required to be repaid over an eight-year period, with K-14 schools contributing \$825 million from funds allocated to education under Proposition 98, and the State contributing the balance of \$938 million. The final Proposition 98 funding levels for the years in dispute will be certified, and the schools' contribution will be counted toward the Proposition 98 guarantee in future years. Other issues are still subject to negotiation. Implementation of the settlement agreement will require further action by the State Legislature.

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control.

**2000/01 State Budget.** On June 30, 2000, Governor Davis signed the 2000/01 State Budget. It makes significant new investments in public education, giving schools new resources while funding efforts to improve student achievement, recruit and retain qualified teachers and upgrade technology. The 2000/01 State Budget also invests in transportation, health care and tax relief. The 2000/01 State Budget also includes \$7.5 billion in one-time expenditures and a prudent reserve of \$1.78 billion. Significant features of the 2000/01 State Budget for K-12 school districts include:

*Proposition 98:* Total spending is \$38.6 billion, an increase of \$3.2 billion (9.0%) over the prior fiscal year. K-12 spending per pupil increases by \$480 from \$6,321 in 1999/00 to \$6,801 in 2000/01, a 7.5% increase.

*Elimination of K-12 Deficit:* \$1.84 billion to eliminate the deficit caused by the underfunding of COLAs in the 1990s. Combined with the 3.17% COLA, this reflects a historic discretionary funding increase in excess of 10%.

*School Improvement and Pupil Achievement Block Grant:* (a) \$245 million for expenditure by school districts for school safety, deferred maintenance, technology staff development, education technology connectivity, or facility improvements; and (b) \$180 million for expenditure by school sites for instructional materials staff development, computers, education technology, library materials, deferred maintenance, enrichment activities, tutoring services, or any other one-time educational purpose.

*Teacher Tax Credit:* \$218 million for a personal income tax credit which may be claimed by teachers, ranging from \$250 for teachers with at least four years of teaching experience to \$1,500 for those teachers who have taught at least 20 years, and limited to 50% of the tax liability from teaching.

*Beginning Teacher Salaries:* \$55 million to school districts participating in the Beginning-Teacher Salary Program in order to increase annual salaries of beginning teachers in those districts to a minimum of \$34,000.

*English Language Learning:* \$260 million to provide intensive English language and literacy instruction, including \$250 million for grades K-12 to provide such instruction after school and during intercession/summer breaks.

*Educational Technology:* More than \$215 million to improve access to computers and technology for students in the classroom, and \$188 million for the final year of implementation for the Digital High School Program.

**Proposed 2001/02 State Budget.** On January 10, 2001, the Governor presented the Proposed 2001/02 to the State Legislature. The Proposed Budget underscores important objectives in public education, giving schools funding incentives to improve mathematics, science and reading.

The Budget proposes total 2000/01 K-12 funding of \$53.3 billion, an increase of \$2.9 billion (5.75%) over the prior fiscal year. K-12 spending per pupil increases by \$1,253 from \$8,014 in 2000/01 to \$9,267 in 2001/02, a 13.9% increase. Proposition 98 support for K-12 education is proposed to increase 8.3% in 2001/02, over the 2000 Budget Act level, for a two-year total increase of \$3.2 billion. Proposition 98 per-pupil spending for the budget year will increase to \$4,174, which is \$866 over the 1999/00 level.

Other significant features of the 2001/02 State Budget for K-12 school districts include:

*Increased Instructional Time:* \$1.45 billion, three-year initiative that would add 30 days of additional instructional time to the school year, beginning in middle school. The Budget provides funding increases of almost 17% per student (about \$770) for qualifying middle schools.

*Intensive Professional Development in Reading and Mathematics:* \$445 million to provide mathematics and reading teachers with standards-based professional development training.

*Principal Training:* \$15 million to improve the leadership skills and content knowledge of principals and vice principals through the provision of a new standards-based professional development training program, to provide a solid foundation in academic standards, use of student assessments, school financial and personnel management and instructional leadership.

*Using Assessment Data to Improve Student Achievement:* \$5 million to be set aside for the establishment of an incentives-based system to monitor student-level scores and an additional \$20 million in incentive funding for schools to purchase or development software, and obtain related training.

*High Tech High - Grant Program:* \$20 million for the Office of the Secretary for Education to establish 10 new High Tech High Schools throughout the State. The \$2 million grants will be awarded on a competitive basis and require a 1:1 local match.

*Loaned Teacher Tax Credit:* 50% credit for employers who lend employees to public middle and high schools and community colleges to teach mathematics and science. This credit will result in a revenue reduction of about \$1 million per year.

*Deferred Maintenance:* \$175 million (an increase of \$8.8 million, for the K-12 Deferred Maintenance Program to fully fund the statutory one-half of one percent State match.

**Future Budgets.** The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control.

For more information on State Funding of public education, see "CONSTITUTIONAL LIMITATION ON TAXES AND EXPENDITURES - Proposition 98".

**Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 1998.** The Class Size Reduction Kindergarten - University Public Education Facilities Bond Act of 1998 appeared on the November 1998 ballot as Proposition 1A and was approved by the California voters. This measure authorizes \$9.2 billion in general obligation bonds for construction at schools and higher educational campuses. It includes \$6.7 billion to finance acquisition of land, new construction, renovation and Class Size Reduction Program costs for public schools from Kindergarten through high school (K-12) and \$2.5 billion to finance new construction, renovation and the purchase of equipment and California's public colleges and universities.

Of the \$6.7 billion for K-12 school facilities, Proposition 1A authorizes: at least \$2.9 billion to buy land and construct new school buildings (districts would be required to pay 50% of eligible project costs with local revenues); at least \$2.1 billion for reconstruction and modernization of existing buildings (districts would be required to pay 20% of eligible project costs with local revenues); up to \$700 million for Class Size Reduction Program facilities costs; up to \$1 billion for projects where the State determines that a district is either unable to provide sufficient local matching funds or will incur excessive school construction costs.

## **Ad Valorem Property Taxes**

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. See "CONSTITUTIONAL LIMITATION ON TAXES AND EXPENDITURES - Article XIII A".

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins to accrue on November 1 of the fiscal year. The District 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 record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

## Taxable Property and Assessed Valuation

Set forth in Table No. 3 are assessed valuations for secured and unsecured property within the Sweetwater Union High School District since 1995.

TABLE NO. 3  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY

<u>Fiscal Year</u>	<u>Total Secured</u>	<u>Unsecured</u>	<u>Total</u>
1994/95	\$11,264,104,729	\$367,625,542	\$11,631,730,271
1995/96	11,464,054,066	608,149,181	12,072,203,247
1996/97	11,506,502,769	404,424,125	11,910,926,894
1997/98	11,512,116,139	558,124,979	12,070,241,118
1998/99	12,347,744,281	456,382,908	12,804,127,189
1999/00	13,500,945,106	737,394,368	14,238,339,474
2000/01	14,889,695,611	560,881,985	15,450,577,596

Source: California Municipal Statistics, Inc.

## Tax Rates

Table No. 4 summarizes the total ad valorem tax rated levied by all taxing agencies in a typical tax rate area ("TRA") within the District for the last five years. the ad valorem tax rate does not reflect special taxes or other assessments that may be levied with respect to certain properties within the District (see "DEBT STRUCTURE - Direct and Overlapping Debt"). The tax rate is expected to increase by .02962 after the issuance of the Bonds.

TABLE NO. 4  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
TYPICAL TAX RATE (TRA 1245)

	<u>1997/98</u>	<u>1998/99</u>	<u>1999/00</u>	<u>2000/01</u>
Chula Vista Elementary School	.00000	.00000	.02479	.02515
Otay Water District	.10000	.10000	.10000	.06000
Metro Water District	.00890	.00890	.00890	.00880
County Water Authority	.00117	.00107	.00100	.00091
General	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
	1.11007	1.10997	1.13469	1.09486

Source: California Municipal Statistics, Inc.

## Alternative Method of Tax Apportionment - Teeter Plan

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, "to accomplish a simplification of the tax-levying and tax apportioning process and an increased flexibility in the use of available cash resources". This alternative method is used for distribution of the ad valorem property tax revenues.

The County is responsible for determining the amount of the ad valorem tax levy on each parcel in the District, which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County auditor determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such monies may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected.

Under the Teeter Plan, the County establishes the Tax Loss Reserve Fund. The County determines which monies in the County treasury (including those credited to the Tax Loss Reserve Fund) shall be available to be drawn onto the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan monies are distributed to the apportioned tax resources accounts.

The tax losses reserve fund is used exclusively to cover lost income occurring as a result of tax-defaulted property. Monies in this fund are derived from several sources. While amounts collected as costs are distributed to the County's general fund, delinquent penalty collections are distributed to the tax losses reserve fund.

When tax-defaulted property is sold, the taxes and assessments which constitute the amount required to redeem the property are prorated between apportioned (Teeter) levies and unapportioned (or non-Teeter) levies. The pro rata share for apportioned levies is distributed to the tax losses reserve fund. The pro rata share from unapportioned levies is prorated between tax levies and assessment levies and then distributed to the applicable funds.

If the tax losses reserve fund exceeds 1% of the total taxes and assessments levied on the secured roll for that year, the amounts coming in after it reaches 1% are credited to the County's general fund. Upon adoption of a resolution by the Board of Supervisors of the County by September 1 of any fiscal year, the 1% tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in be resolutions adopted by two thirds of the participating revenue district in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

In the event that the teeter Plan were terminated, receipt of revenue of ad valorem taxes in the District would depend upon the collections of the ad valorem property taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of ad valorem property taxes will be not dependent upon actual collections of the ad valorem property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances (as described above) terminate the Teeter Plan in its entirety or terminate the Teeter Plan as to the District if the delinquency rate for all ad valorem property taxes levied within the District in any year exceeds 1%.



## Largest Taxpayers

The principal taxpayers in the District based on the 2000/01 tax roll are as shown in Table No. 5.

**TABLE NO. 5  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
LARGEST TAXPAYERS**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2000/01 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Rohr, Inc./B.F. Goodrich Aerospace	Industrial	\$ 166,468,345	1.12%
2.	Plaza Bonita LLC	Shopping Center	124,279,104	0.84
3.	Duke Energy South Bay LLC	Power Plant	94,652,155	0.64
4.	Kaiser Foundation Health Plan Inc.	Medical Offices	74,338,530	0.50
5.	Corrections Corp. of America	Correctional Facilities	71,020,629	0.48
6.	CV Center LLC	Shopping Center	59,546,806	0.40
7.	Scripps Health (2)	Hospital and Medical Buildings	40,506,478	0.27
8.	Rancho Del Rey LLC	Apartments	40,416,329	0.27
9.	U.S. Gateway II Investment Associates	Industrial	38,800,000	0.26
10.	Otay Project LP	Vacant Land	37,558,394	0.25
11.	Vons Companies Inc.	Commercial Store	36,532,124	0.25
12.	Maxell Corporation of America	Industrial	33,353,843	0.22
13.	The Price	Commercial Store	32,922,426	0.22
14.	Burnham Pacific Operating Partnership	Shopping Center	29,436,608	0.20
15.	Sanyo North America Corp.	Industrial	29,281,791	0.20
16.	BRE Properties Inc.	Apartments	28,579,858	0.19
17.	Home Depot USA Inc.	Commercial Store	27,279,477	0.18
18.	John M. Sachs Inc.	Apartments	26,777,707	0.18
19.	Wal-Mart Stores Inc.	Commercial Store	25,029,456	0.17
20.	Wells Fargo Bank	Commercial	<u>24,462,687</u>	<u>0.16</u>
			\$1,041,242,747	7.00%

(1) 2000/01 Local Secured Assessed Valuation: \$14,877,337,353.

(2) Taxable property only.

Source: California Municipal Statistics, Inc.

## District Expenditures

Employee salaries and benefits account for over 80% of the District's General Fund expenditures. In fiscal year 2000/01, the District has 2,205 certificated employees and 1,457 classified employees.

## Retirement Programs

The District contributes to the School Employer Pool California Public Employee's Retirement System (CalPERS) and to the California State Teachers' Retirement System (STRS), both multiple-employer public employee retirement systems that acts as a common investment and administrative agent for participating public entities within the State of California.

All full-time and part-time classified personnel are eligible to participate in the CalPERS and all certificated personnel are eligible to participate in STRS. Benefits for employees vary based upon compensation and age at retirement. CalPERS and STRS also provide death and disability benefits.

Active plan members contribution rates are 7% and 8% of monthly earnings for CalPERS and STRS respectively. The District is required to contribute remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by CalPERS or STRS, as applicable. The CalPERS contribution for 2000 was \$0, and the STRS contribution for 2000 was \$7,855,696 or 8.25% of covered payroll.

The District provides postemployment health care benefits, in accordance with District employment contracts, to all qualified employees who retire from the District on or after attaining age 55 with at least 15 years of service. Currently, 257 employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retiree's premiums are paid. For the year 2000, expenditures of \$900,238 were recognized for retirees' health care benefits.

The District offered a classified and certificated retirement incentive program for employees that retired between July 1, 1999, and June 30, 2000. The District payment of retirement incentive amounts are based on the years of service the employees worked. All payments must be made payable to a qualified retirement plan designated by the employee. Under these plans the District would pay installments based on the plan option that the eligible employee elected. Currently, 104 employees are on this plan. Expenditures for retirements incentive payout were approximately \$846,500 for the year 2000.

The approximate accumulated future liability for postemployment benefits for the District at June 30, 2000, was \$5,232,998.

## **Employee Relations and Collective Bargaining**

District employees are represented by 3 labor associations. Currently 95% of all District employees are covered by negotiated agreements.

<u>Bargaining Unit</u>	<u>Agent</u>	<u>Expiration Date</u>
Certificated employees	Sweetwater Education Association	June 30, 2002
Classified employees	California School Employees Association	June 30, 2001
Supervisors	NAGE	June 30, 2002

The Sweetwater Union High School District has never had a major employee work stoppage.

## **Risk Management**

The District maintains insurance with the San Diego County Schools Risk Management Joint Powers Authority (JPA), subject to a self-insured retention, deductibles, coverage terms and conditions. Coverage includes real and personal property, general liability and wrongful acts, uninsured and underinsured motorists physical damage, and workers' compensation. Coverage is comparable with insurance maintained by similar school districts.

Real and personal property coverage covers direct physical loss or damage to real or personal property and is subject to a coverage limit of \$2,606,290,660 per occurrence. The District's deductible for a real property loss is \$10,000 per occurrence and for theft or vandalism of personal property is \$500 per occurrence. A \$100,000 self-insured retention applies to each occurrence prior to any payments by insurance carriers. Primary insurance limits for general liability/wrongful acts and auto liability is \$1,000,000 per occurrence and \$14,000,000 per occurrence for excess insurance. Wrongful act primary insurance is subject to a \$15,000,000 annual aggregate. No aggregate applies to the excess insurance

layer. A self-insured retention of \$100,000 applies to each occurrence prior to any payments by insurance carriers. Uninsured and underinsured motorists coverage is provided by the JPA with a limit of \$60,000 per occurrence.

The District's current primary liability/wrongful acts insurer is Fireman's Fund Insurance Company. The excess liability coverage is provided by Schools Excess Liability Fund (SELF). The real and personal property carrier is Swiss Re. The current liability and real property claims administrator is Ward North America, and for Workers' Compensation claims Hazelrigg Risk Management Services is the claims administrator.

## Capital Plan

The District has identified a capital facilities need of \$230 million over the next 20 years to alleviate overcrowding, renovate and modernize exiting facilities and upgrade technology. To help fund this capital facilities need, voters in the District approved the issuance of \$187 million General Obligation Bonds in a measure on the November 7, 2000 ballot. In addition, the District will continue to apply for State aid under the Leroy Greene Lease - Purchase Construction Program to the extent funds become available for the purpose of funding the renovation projects.

## Developer Fees

The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees and mitigation payments collected by the District. The District's developer and mitigation fees may be utilized for any capital purpose related to growth.

Collection of such fees followed a formal declaration by the Board of Trustees, which addressed the overcrowding of District schools as a result of new development. These fees were changed on January 1, 1987, following enactment of California Government Code Section 65995. The rate currently allowable is \$1.93 per square foot of habitable space on domestic housing and \$.31 per square foot on commercial/industrial developments. These square-foot amounts are adjusted periodically by the State for inflation. As of June 30, 2000, a balance of \$199,719 existed in the District's Capital Facilities Funds.

**TABLE NO. 6**  
**SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**DEVELOPER FEES COLLECTED**  
**FROM FISCAL YEAR 1990/1991 THROUGH 1999/2000**

<u>Fiscal Year</u>	<u>Mitigation Payments Collected</u>
1990/91	\$655,988
1991/92	424,959
1992/93	345,954
1993/94	196,654
1994/95	233,271
1995/96	190,315
1996/97	150,337
1997/98	257,776
1998/99	381,647
1999/00	390,728

## Financial Statements

The District's accounting policies conform to generally accepted accounting principles and reporting standards set forth by the State Controller in the California School Accounting Manual. The audited financial statements also conform to the principles and standards for public financial reporting established by the Governmental Accounting Standards Board.

**Fund Accounting.** The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental (used to account for all or most of a government's general activities), proprietary (used to account for activities similar to those found in the private sector) and fiduciary (used to account for assets held on behalf of outside parties). Each category, in turn, is divided into separate fund types.

**Basis of Accounting.** The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

**Measurement Focus.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, whereby only current assets and current liabilities generally are included on the balance sheet, with the exception that the noncurrent portion of long-term receivables and advances due to governmental funds are reported on their balance sheets, offset by fund balance reserve accounts. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The District retained the firm of Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants & Consultants, Rancho Cucamonga, California, to examine the general purpose financial statements of the District as of and for the year ended June 30, 2000. Table Nos. 7 and 8 summarize the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the District's General Fund for the fiscal years ending June 30, 1997 through June 30, 2000. The audited financial statements for fiscal year ended June 30, 2000 is attached hereto as "APPENDIX B".

**TABLE NO. 7**  
**SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**BALANCE SHEET**  
**For the Fiscal Year Ended June 30**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>ASSETS</b>				
Cash	\$12,830,758	\$ 2,391,733	\$ 3,685,137	\$ 580,186
Investments	-	13,649,596	15,437,432	27,626,911
Accounts Receivable	3,776,533	5,486,033	6,740,853	6,994,652
Due from other funds	4,204,491	1,932,294	2,633,768	4,157,758
Stores inventory	<u>247,155</u>	<u>309,437</u>	<u>313,007</u>	<u>452,794</u>
Total Assets	<u>\$21,058,937</u>	<u>\$23,769,093</u>	<u>\$28,810,197</u>	<u>\$39,812,301</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,150,523	\$ 5,414,049	\$ 5,309,683	\$ 9,920,098
Due to other funds	1,983,653	1,100,006	976,689	4,992,040
Deferred revenue	<u>1,671,033</u>	<u>2,525,255</u>	<u>5,134,910</u>	<u>6,187,971</u>
Total Liabilities	<u>8,805,209</u>	<u>9,039,310</u>	<u>11,421,282</u>	<u>21,100,109</u>
<b>FUND EQUITY</b>				
Fund balances:				
Reserved	1,245,859	334,437	338,007	477,794
Unreserved				
Designated	9,474,128	10,579,326	12,595,576	12,670,581
Undesignated	<u>1,533,741</u>	<u>3,816,020</u>	<u>4,455,332</u>	<u>5,563,817</u>
Total Fund Equity	<u>12,253,728</u>	<u>14,729,783</u>	<u>17,388,915</u>	<u>18,712,192</u>
Total Liabilities and Fund Equity	<u>\$21,058,937</u>	<u>\$23,769,093</u>	<u>\$28,810,197</u>	<u>\$39,812,301</u>

Source: Sweetwater Union High School District Annual Financial Report.

**TABLE NO. 8**  
**SWEETWATER UNION HIGH SCHOOL DISTRICT**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year ended June 30**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>REVENUES</b>				
Revenue Limit Sources				
State Apportionment	\$ 83,268,866	\$ 93,226,264	\$ 97,511,286	\$100,460,526
Local sources	<u>34,512,390</u>	<u>37,173,795</u>	<u>42,074,262</u>	<u>47,349,201</u>
Total Revenue Limit Sources	117,781,256	130,400,059	139,585,548	147,809,727
Federal revenues	6,950,885	10,858,602	10,602,202	11,833,287
Other state revenues	25,189,657	27,141,842	32,885,754	37,375,095
Other local revenues	4,486,789	4,117,494	4,799,463	6,211,365
Tuition and transfers	<u>179,817</u>	<u>204,472</u>	<u>365,426</u>	<u>507,635</u>
Total Revenues	<u>\$154,588,404</u>	<u>\$172,722,469</u>	<u>\$188,238,393</u>	<u>\$203,737,109</u>
<b>EXPENDITURES</b>				
Current Expenditures				
Certificated salaries	\$ 83,986,061	\$ 90,279,622	\$ 97,230,800	\$103,939,017
Classified salaries	24,331,358	26,360,872	28,667,513	32,221,034
Employee benefits	22,126,723	23,026,110	23,668,508	25,857,677
Books and supplies	6,196,249	8,714,690	8,355,673	10,647,956
Services and other operating expenditures	11,633,976	14,807,150	17,246,337	15,953,751
Other outgo	245,634	769,222	2,500,035	3,081,663
Capital outlay	4,414,019	6,076,369	6,989,569	6,919,982
Debt service - principal				
Debt service - interest and other	<u>1,072,172</u>	<u>1,122,224</u>	<u>1,242,339</u>	<u>1,286,500</u>
Total Expenditures	<u>\$154,006,192</u>	<u>\$171,156,259</u>	<u>\$185,900,774</u>	<u>\$199,907,580</u>
EXCESS OF REVENUES OVER				
EXPENDITURES	<u>\$ 582,212</u>	<u>\$ 1,566,210</u>	<u>\$ 2,337,619</u>	<u>\$ 3,829,529</u>
OTHER FINANCING RESOURCES/(USES)				
Operating transfers in	-	-	\$ 100,000	\$ 50,000
Operating transfers out	(912,285)	(1,262,119)	(1,437,360)	(3,401,607)
Other sources	<u>47,644</u>	<u>2,171,964</u>	<u>1,658,873</u>	<u>845,355</u>
Total Other Financing Sources/(Uses)	<u>\$ (\$64,641)</u>	<u>\$ 909,845</u>	<u>\$ 321,513</u>	<u>\$ (2,506,252)</u>
EXCESS OF REVENUE AND OTHER				
FINANCING SOURCES OVER/(UNDER)				
EXPENDITURES AND OTHER USES	<u>(282,429)</u>	<u>2,476,055</u>	<u>2,659,132</u>	<u>1,323,277</u>
FUND BALANCE, BEGINNING OF YEAR	<u>\$ 12,536,157</u>	<u>\$ 12,253,728</u>	<u>\$ 14,729,783</u>	<u>\$ 17,388,915</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,253,728</u>	<u>\$ 14,729,783</u>	<u>\$ 17,388,915</u>	<u>\$ 18,712,192</u>

Source: Sweetwater Union High School District Annual Financial Report.

## **San Diego County Investment Pool**

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

In accordance with Government Code Section 53600 et seq., the San Diego County Treasurer manages funds deposited with it by the District. Each county is required to invest such funds in accordance with California Government Code Section 53601 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 San Diego County Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53601 et seq., authorities delegated by the County Board of Supervisors and the Treasurer's investment policy.

### **General**

Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County (and the various departments in the County, such as Public Works and Public Administration), funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into the County treasury ("Involuntary Depositors"). In addition, certain agencies, including community college districts, invest certain of their funds in the County treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary Depositors, the "Depositors"). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the "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 as required by State law. The members of the Oversight Committee include the Treasurer, the Chief Financial Officer, members of the public, and a representative from a special district and a school district. The role of the Oversight Committee is to review and monitor the Investment Policy that is prepared by the Treasurer.

### **The Treasury Pool's Portfolio**

As of December 31, 2000, the securities in the Treasury Pool had a market value of \$2,875,005,604 and a book value of \$2,870,075,138, for a net unrealized gain of 0.17% or \$4,930,466 of the book value of the Treasury Pool. As of December 31, 2000, the weighted average maturity of the Pool portfolio was approximately 281 days.

The duration for the Treasury Pool was 0.72 years as of December 31, 2000. "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 0.72 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.72%.

As of December 31, 2000, approximately 1.49% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 4.31% by community colleges, 42.85% by the County, and 36.79% by K-12 school districts.

In 1999, Fitch IBCA, Inc. rated the Pool's ability to meet its financial commitments "AAA" (long-term) and "V1 +" (short-term volatility).

### **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), asset backed (including mortgage related) and pass-through securities. Generally, investments in any repurchase agreement may not 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 deferred as the total cash balance excluding any amounts borrowed (*i.e.*, amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

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

**The Investment Policy.** The County's Investment Policy (the "Investment Policy") (which may be modified, amended, or otherwise changed at any time at the sole discretion of the Treasurer) currently states the primary goals of the Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve a return on the funds under the control of the Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 52% 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 approximately equally over more than one year to five years. With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements to 20% of the total investments in the Pool. The Investment Policy states that the purpose of reverse repurchase agreements is to supplement the yield on securities owned by the Pool or to provide funds for the immediate payment of an obligation and that the maturity of the reverse repurchase agreement and the maturity of the security purchased be the same.

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



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

#### **Certain Information Relating to the Pool**

The following table reflects information with respect to the Pool as of December 31, 2000. As described above, a wide range of investments is authorized by state law. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on December 31, 2000, the Pool necessarily would have received the values specified.

**SAN DIEGO COUNTY INVESTMENT POOL PORTFOLIO INFORMATION**  
as of December 31, 2000

	Percent of Portfolio	Book Value	Market Price	Accrued Interest	Market Value	Unrealized Gain/Loss	Yield To Maturity	Weighted Average Days To Maturity
Federal Farm Credit Bank Notes	.52%	\$14,912,593	99.48%	\$ 240,500	\$ 14,922,600	\$ 10,007	6.08%	253
Federal Home Loan Bank Notes	13.53	386,177,467	100.59	6,219,666	388,973,148	2,795,681	6.62	741
Federal Home Loan Mortgage Corp. Notes	7.84	224,891,568	100.23	4,090,098	225,513,560	621,992	6.00	532
Federal National Mortgage Assoc. Notes	7.14	204,020,321	100.55	4,093,551	205,302,560	1,282,203	6.57	979
Corporate Medium Term Notes	7.76	222,773,061	100.14	4,987,310	223,110,642	337,581	6.83	220
Money Market Funds	4.02	115,500,000	100.00	304,283	115,500,000	0	6.51	1
Repurchase Agreements	13.74	395,000,000	100.00	224,321	395,000,000	0	6.81	1
Negotiable Certificates of Deposit	7.65	219,995,792	99.93	4,361,579	219,852,375	(143,417)	6.60	127
Commercial Paper	37.79	1,086,314,336	98.48	28,339	1,086,340,755	(26,419)	6.64	89
Collateralized Certificates of Deposit	0.02	490,000	100.00	4,005	490,000	0	6.39	95

Totals For December 2000	100.00%	\$2,870,075,138	99.56%	\$24,553,651	\$2,875,005,604	\$4,930,466	6.61%	281
Totals For November 2000	100.00%	\$2,296,221,562	99.17%	\$20,862,572	\$2,293,984,942	(\$2,236,621)	6.60%	250
Change From Prior Month		\$ 573,853,576	0.39%		\$ 581,020,663	\$7,167,087	0.01%	31
Overall Portfolio Duration	0.65 years							

Fiscal Year	October '00	Return	To Date	Calendar Year	Annualized	Annualized
Book Value	0.558%	0.558%	3.287%	To Date Return	6.413%	6.395%
Market Value	1.021%	1.021%	4.733%		8.643%	8.619%

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

## DEBT STRUCTURE

### Outstanding Indebtedness of the District

The District had the following outstanding indebtedness as of June 30, 2000.

**TABLE NO. 9  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
OUTSTANDING INDEBTEDNESS AS OF JUNE 30, 2000**

Category of Indebtedness	Original Issue	Amount Outstanding	Final Maturity
(1) Tax and Revenue Anticipation Notes	\$ 5,000,000	\$ 5,000,000	2001
(2) 1991 Certificates of Participation	10,065,000	4,372,500	2005
(3) 1997 Certificates of Participation	5,185,000	5,005,000	2022
(4) Capital Leases	10,368,101	10,368,101	2005
(5) 1995 Special Tax Bonds	31,365,000	27,730,000	2015
(6) 1997 Special Tax Bonds	19,250,000	19,250,000	2022
(7) Postemployment benefits	5,232,998	5,232,998	Indefinite
(8) Accumulated Vacation	2,302,156	2,302,156	Indefinite

- (1) The District issued Tax and Revenue Anticipation Notes dated July 5, 2000. The Notes mature on June 29, 2001.
- (2) The 1991 Certificates were refunded in January, 2001, with a portion of the proceeds of the District's \$21,700,000 Certificates of Participation (Series 2000) (the "2000 COP's"). The remaining proceeds of the 2000 COP's prepaid the capital leases described below under paragraph (4) and raised approximately \$6,000,000 for additional equipment purchases of the District, including a phone system, lawn and garden vehicles and buses. The 2000 COP's are payable from lease payments due under a lease agreement pursuant to a lease of the District's Montgomery High School. The 2000 COP's bear interest at a variable rate not to exceed 12%. Currently, annual lease payments, including letter of credit and remarketing fees, are approximately \$2,325,000. The 2000 COP's mature in 2013.
- (3) The 1997 Certificates are payable from lease payments due under a lease Agreement pursuant to a lease of certain portable classrooms acquired with the proceeds. Currently, annual lease payments are approximately \$640,000.
- (4) The Capital Leases are payable from under various lease agreements for portable classrooms buses, communication systems, scanners, air conditioning equipment, computer equipment and other capital items. The Capital Leases were also refunded in January, 2001, with a portion of the proceeds of the 2000 COP's.
- (5) The 1995 Special Tax Bonds were issued on behalf of the District through the Y/S School Facilities Financing Authority. The 1995 Special Tax Bonds are secured by a lien on Special Taxes from Community Facilities Districts Nos. 1 through 5. The lien of the 1995 Special Tax Bonds on the Special Taxes is on a parity with the lien of the Pledge Agreement. Currently, annual debt service is approximately \$2,500,000.

- (6) The 1997 Special Tax Bonds were issued on behalf of the District through the Y/S School Facilities Financing Authority. The 1997 Special Tax Bonds are secured by a lien on Special Taxes from Community Facilities Districts Nos. 1 through 5. The lien of the 1997 Special Tax Bonds on the Special Taxes is on a parity with the lien of the Pledge Agreement. In the event that the Special Taxes allocable to the 1997 Special Tax Bonds are insufficient to pay the debt service on the 1997 Special Tax Bonds, the District has pledged lease payments to the 1997 Special Tax Bonds. Such lease payments are payable from any source of legally available funds of the District. Currently, annual debt service is approximately \$1,300,000.
- (7) Represents that portion of postretirement benefits not expected to be paid during the current fiscal year.
- (8) Represents that portion of accumulated leave not expected to be paid during the current fiscal year.

In March, 2001, the District issued \$42,875,000 Certificates of Participation (the "2001 COP's") secured primarily by a lien on Special Taxes from all of the District's 12 Community Facilities Districts on a parity with the lien of the 1995 Special Tax Bonds and the 1997 Special Taxes Bonds. In the event that the Special Taxes allocable to the 2001 COP's are insufficient to pay debt service on the 2001 COP's, the District has pledged lease payments to the 2001 COP's. Such lease payments are payable from any source of legally available funds of the District.

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., as of February 1, 2001. The Debt Report is included for general information purposes only. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations are not payable from District's General Fund nor are they necessarily obligations secured by property within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**TABLE NO. 10  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
DIRECT AND OVERLAPPING DEBT**

2000/01 Assessed Valuation:	\$15,450,577,596
Redevelopment Incremental Valuation:	<u>1,199,723,237</u>
Adjusted Assessed Valuation:	\$14,250,854,359

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/01</u>
San Diego County Water Authority	7.835%	\$ 370,204
Metropolitan Water District	1.373	7,546,214
Otay Municipal Water District, Improvement District No. 27	100.	11,265,000
Chula Vista City School District	100.	34,440,000
San Ysidro School District	100.	10,350,000
South Bay Union School District	100.	7,991,918
Y/S School Facilities Financing Authority Sweetwater Project	100.	45,790,000
Y/S School Facilities Financing Authority Chula Vista School Project	100.	8,720,000
City of San Diego	3.611	652,688
San Diego Open Space Park District	3.611	1,643,727
City of Chula Vista Community Facilities Districts	100.	42,120,000
City of Chula Vista 1915 Act Bonds	100.	67,255,000
Other Cities 1915 Act Bonds	15.590-100.	<u>17,915,025</u>
<b>TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$256,059,776</b>
Less: City of San Diego Open Space Park District self-supporting bonds		<u>1,643,727</u>
<b>TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$254,416,049</b>

(Continued on next page)

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<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/01</u>
San Diego County General Fund Obligations	7.992%	\$ 46,636,470
San Diego County Pension Obligations	7.992	25,362,212
San Diego County Superintendent of Schools Certificates of Participation	7.992	173,826
Otay Municipal Water District Certificates of Participation	61.680	16,829,388
Sweetwater Union High School District Certificates of Participation	100.	8,770,000 (1)
Chula Vista City School District Certificates of Participation	100.	42,480,000
San Ysidro School District Certificates of Participation	100.	3,121,663
South Bay Union School District Certificates of Participation	100.	5,555,000
City of Chula Vista Certificates of Participation	100.	37,240,000
City of Chula Vista Pension Obligations	100.	14,166,532
City of National City Certificates of Participation	99.999	5,754,942
City of San Diego General Fund Obligations	3.611	14,105,649
San Miguel Consolidated Fire Protection District Certificates of Participation	0.315	<u>34,146</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$220,229,828</b>
Less: Otay Municipal Water District Certificates of Participation		16,829,388
City of San Diego self-supporting bonds		<u>27,083</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$203,373,357</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$476,289,604 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$457,789,406</b>

(1) Excludes certificates of participation to be sold.

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

Ratios to 2000/01 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt .....	1.66%
Total Net Overlapping Tax and Assessment Debt.....	1.65%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$8,770,000) .....	0.06%
Gross Combined Total Debt.....	3.34%
Net Combined Total Debt .....	3.21%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/00: \$4,308,415

Source: California Municipal Statistics, Inc.

## Scheduled Debt Service on the Bonds

The following is the scheduled Debt Service on the Bonds.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Payment</u>	<u>Annual Payment</u>
February 1, 2002		\$1,382,779.46	\$1,382,779.46	
August 1, 2002	\$1,885,000.00	855,327.50	2,740,327.50	\$4,123,106.96
February 1, 2003		817,627.50	817,627.50	
August 1, 2003	2,890,000.00	817,627.50	3,707,627.50	4,525,255.00
February 1, 2004		752,602.50	752,602.50	
August 1, 2004	1,185,000.00	752,602.50	1,937,602.50	2,690,205.00
February 1, 2005		733,346.25	733,346.25	
August 1, 2005	1,425,000.00	733,346.25	2,158,346.25	2,891,692.50
February 1, 2006		709,299.38	709,299.38	
August 1, 2006	1,475,000.00	709,299.38	2,184,299.38	2,893,598.76
February 1, 2007		683,486.88	683,486.88	
August 1, 2007	1,525,000.00	683,486.88	2,208,486.88	2,891,973.76
February 1, 2008		655,846.25	655,846.25	
August 1, 2008	1,030,000.00	655,846.25	1,685,846.25	2,341,692.50
February 1, 2009		636,533.75	636,533.75	
August 1, 2009	1,070,000.00	636,533.75	1,706,533.75	2,343,067.50
February 1, 2010		615,133.75	615,133.75	
August 1, 2010	1,115,000.00	615,133.75	1,730,133.75	2,345,267.50
February 1, 2011		592,833.75	592,833.75	
August 1, 2011	1,155,000.00	592,833.75	1,747,833.75	2,340,667.50
February 1, 2012		569,156.25	569,156.25	
August 1, 2012	1,205,000.00	569,156.25	1,774,156.25	2,343,312.50
February 1, 2013		543,851.25	543,851.25	
August 1, 2013	1,255,000.00	543,851.25	1,798,851.25	2,342,702.50
February 1, 2014		516,868.75	516,868.75	
August 1, 2014	1,310,000.00	516,868.75	1,826,868.75	2,343,737.50
February 1, 2015		488,212.50	488,212.50	
August 1, 2015	1,365,000.00	488,212.50	1,853,212.50	2,341,425.00
February 1, 2016		453,234.38	453,234.38	
August 1, 2016	1,435,000.00	453,234.38	1,888,234.38	2,341,468.76
February 1, 2017		416,462.50	416,462.50	
August 1, 2017	1,510,000.00	416,462.50	1,926,462.50	2,342,925.00
February 1, 2018		376,825.00	376,825.00	
August 1, 2018	1,590,000.00	376,825.00	1,966,825.00	2,343,650.00
February 1, 2019		335,087.50	335,087.50	
August 1, 2019	1,675,000.00	335,087.50	2,010,087.50	2,345,175.00
February 1, 2020		295,306.25	295,306.25	
August 1, 2020	1,755,000.00	295,306.25	2,050,306.25	2,345,612.50
February 1, 2021		253,625.00	253,625.00	
August 1, 2021	1,835,000.00	253,625.00	2,088,625.00	2,342,250.00
February 1, 2022		207,750.00	207,750.00	
August 1, 2022	1,930,000.00	207,750.00	2,137,750.00	2,345,500.00
February 1, 2023		159,500.00	159,500.00	
August 1, 2023	2,025,000.00	159,500.00	2,184,500.00	2,344,000.00
February 1, 2024		108,875.00	108,875.00	
August 1, 2024	2,125,000.00	108,875.00	2,233,875.00	2,342,750.00
February 1, 2025		55,750.00	55,750.00	
August 1, 2025	2,230,000.00	55,750.00	2,285,750.00	2,341,500.00

## **LEGAL MATTERS**

### **Enforceability of Remedies**

The remedies available to the Owners of the Bonds upon an event of default under the Resolution, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Resolution is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

### **Approval of Legal Proceedings**

Best Best & Krieger LLP, San Diego, California, as Bond Counsel, will render an opinion which states that the Bonds are valid and binding general obligations of the District and are enforceable in accordance with their terms. The legal opinion of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity.

The District has no knowledge of any fact or other information which would indicate that the Bonds are not so enforceable against the District, as applicable, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Certain legal matters will be passed on for the District by District Counsel and by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel.

Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

### **Tax Matters**

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds received by the beneficial owners of the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, interest on the Bonds is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions. However, interest on the Bonds received by or allocated to a corporation will be included in adjusted current earnings for purposes of computing such corporation's alternative minimum tax liability.

Bond Counsel is further of the opinion that the interest on the Bonds received by the Owners of the Bonds is exempt from personal income taxes of the State under present State law.

In rendering such opinions, Bond Counsel has relied upon representations and covenants of the District in the Resolution and in the District's Tax and Nonarbitrage Certificate concerning the use of the facilities refinanced with Bond proceeds, the investment and use of Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest with respect to the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the



District fails to comply with such covenants, unless such failure to comply is based on the advice or opinion of Bond Counsel, Bond Counsel has expressed no opinion regarding the effect, if any, of legislation enacted after the date of issuance of the Bonds on the exclusion of interest with respect to the Bonds from income for federal tax purposes. In addition, no assurance can be given that any such legislation could not directly or indirectly reduce the benefit of the receipt of interest which is otherwise excluded from gross income for federal income tax purposes.

Bond Counsel has expressed no opinion regarding any impact of the ownership of, receipt of interest with respect to, or disposition of the Bonds other than as expressly described above. Prospective purchasers of the Bonds should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest with respect to, or disposition of the Bonds may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, the portion of a holder's interest expense allocable to interest relating to the Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest with respect to the Bonds; (iii) for taxable years beginning before January 1, 1996, interest with respect to the Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code; (iv) interest with respect to the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (v) passive investment income, including interest with respect to the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (vi) Section 86 of the Code requires recipients of certain social security and certain railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest with respect to the Bonds. The presence of any such effect, as well as the magnitude thereof, depends on the specific factual situation with respect to each particular Bondowner.

### **Absence of Litigation**

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive ad valorem taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Bonds.

## **CONCLUDING INFORMATION**

### **Ratings on the Bonds**

Standard & Poor's Ratings Services and Moody's Investors Service have assigned their ratings of "AAA" and "Aaa", respectively, to the Bonds with the understanding that a Municipal Bond Insurance Policy insuring payment when due of the principal of and interest on the Bonds will be issued on the closing date by MBIA Insurance Corporation. Such rating reflects only the views of the rating agency and any desired explanation of the significance of such rating should be obtained from the rating agency. Generally, a rating agency bases its rating on the insurance and the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## Underwriting

UBS PaineWebber Inc., Los Angeles, California, (the "Underwriter") is offering the Bonds at the prices set forth on the cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Bonds at a price equal to \$37,907,451.85 (99.756452%), which amount represents the principal amount of the Bonds, plus original issue premium of \$11,571.85, and less Underwriter's discount of \$104,120.00. The Underwriter will pay certain of its expenses relating to the offering.

## The Financing Consultant

The material contained in this Official Statement was prepared by Harrell & Company Advisors, LLC, Orange, California, an independent financial consulting firm, who advised the District as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained by Harrell & Company Advisors, LLC from sources which are believed to be reliable, but such information is not guaranteed by Harrell & Company Advisors, LLC as to accuracy or completeness, nor has it been independently verified. Fees paid to Harrell & Company Advisors, LLC are contingent upon the sale and delivery of the Bonds.

## Additional Information

The summaries and references contained herein with respect to the Resolution, the Continuing Disclosure Certificate, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute. Copies of these documents are available for inspection during the period of initial offering on the Bonds at the offices of the Financing Consultant and may be obtained after delivery of the Bonds from the District through the Chief Finance Officer, 1130 Fifth Avenue, Chula Vista, California 91911.

## References

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

## Execution

The execution of this Official Statement has been duly authorized by the Sweetwater Union High School District.

**SWEETWATER UNION HIGH SCHOOL DISTRICT**

By: 

**Dr. Edward M. Brand**

**Superintendent**

## APPENDIX A

### FORM OF BOND COUNSEL OPINION

Board of Trustees  
Sweetwater Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$38,000,000.00 Sweetwater Union High School District Election of 2000 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Title 1, Division 1, Part 10, Chapter 2 of the California Education Code, a two-thirds vote of the qualified electors of the Sweetwater Union High School District (the "District") voting at an election held on November 7, 2000, a resolution of the Board of Trustees of the District (the "District Resolution") and a resolution of the Board of Supervisors of San Diego County, California (together with the District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

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

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

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

Respectfully submitted,

BEST BEST & KRIEGER LLP

**APPENDIX B**  
**DISTRICT AUDITED FINANCIAL STATEMENTS**



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

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

of Trustees  
Sweetwater Union High School District  
Vista, California

We have audited the accompanying general-purpose and combining financial statements of the Sweetwater Union High School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose and combining financial statements referred to above present fairly, in all material aspects, the financial position of the Sweetwater Union High School District at June 30, 2000, and the results of operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2000, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in understanding the results of our audit.

The accompanying financial and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Vavrinek, Trine, Boyd Co., LLP

Rancho Cucamonga, California

December 1, 2000

Account Group	Total
General	(Memorandum Only)
Long-Term Debt	
,541	\$ 4,137,311
,496	59,353,713
,535	10,711,251
	10,018,952
,277	756,750
\$ 4,023,825	4,023,825
<u>70,236.930</u>	<u>70,236.930</u>
<u>5,849 \$ 74,260.755</u>	<u>\$ 159,238.732</u>

,467	12,105,005
	10,018,952
	8,587,311
2,000	1,322,000
<u>74,260.755</u>	<u>74,260.755</u>
<u>5,467 74,260.755</u>	<u>106,294,023</u>

584,773

	12,670,581
<u>0.382</u>	<u>39,689.355</u>
<u>0.382</u>	<u>52,944.709</u>

5.849 \$ 74,260.755 \$ 159,238.732



# SWEETWATER UNION HIGH SCHOOL DISTRICT

## ALL FUND TYPES AND ACCOUNT GROUPS COMBINED BALANCE SHEET JUNE 30, 2000

### ASSETS

Cash  
Investments  
Accounts receivable  
Due from other funds  
Stores inventory  
Amount available for the retirement  
of general long-term debt  
Amount to be provided for the retirement  
of general long-term debt  
Total Assets

### LIABILITIES AND FUND EQUITY LIABILITIES

Accounts payable  
Due to other funds  
Deferred revenue  
Due to student groups  
General long-term debt  
Total Liabilities

### FUND EQUITY

Fund balances  
Reserved  
Unreserved  
Designated  
Undesignated  
Total Fund Equity  
Total Liabilities  
and Fund Equity

Governmental Fund Types			Fund
General	Special Revenue	Capital Projects	Exp
\$ 580,186	\$ 153,468	\$ 766,116	\$ 2
27,626,911	2,407,193	29,306,113	
6,994,652	3,431,792	217,272	
4,157,758	2,786,205	3,074,989	
452,794	106,679		
<u>\$ 39,812,301</u>	<u>\$ 8,885,337</u>	<u>\$ 33,364,490</u>	<u>\$ 2</u>
9,920,098	698,835	1,122,601	
4,992,040	4,159,618	867,294	
6,187,971	257,797	2,141,543	
<u>21,100,109</u>	<u>5,116,250</u>	<u>4,131,442</u>	
477,794	106,979		
12,670,581			
5,563,817	3,662,108	29,233,048	
<u>18,712,192</u>	<u>3,769,087</u>	<u>29,233,048</u>	
<u>\$ 39,812,301</u>	<u>\$ 8,885,337</u>	<u>\$ 33,364,490</u>	<u>\$</u>

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

	Fiduciary Fund Type	Total
Capital Projects	Expendable Trust	(Memorandum Only)
		\$ 113,084,586
		<u>47,349,201</u>
		160,433,787
		17,400,529
10,527,309		50,488,237
17,369,689	\$ 3,872,376	29,958,456
		<u>507,635</u>
<u>27,896,998</u>	<u>3,872,376</u>	<u>258,788,644</u>
		112,167,094
130,925		37,482,143
23,217		28,444,853
		14,231,634
4,571,538	3,679,123	26,630,697
10,466		4,132,843
11,585,758		19,337,357
880,000		880,000
<u>4,570,363</u>		<u>6,126,465</u>
<u>21,772,267</u>	<u>3,679,123</u>	<u>249,433,086</u>
<u>6,124,731</u>	<u>193,253</u>	<u>9,355,558</u>
2,418,929		3,664,161
(200,000)		(3,664,161)
<u>3,627,902</u>		<u>4,540,463</u>
<u>5,846,831</u>		<u>4,540,463</u>
11,971,562	193,253	13,896,021
17,261,486	1,037,129	39,048,688
<u>\$ 29,233,048</u>	<u>\$ 1,230,382</u>	<u>\$ 52,944,709</u>

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types	
	General	Special Revenue
<b>REVENUES</b>		
Revenue Limit Sources	\$ 100,460,526	\$ 12,624,060
State apportionments	47,349,201	
Local sources	147,809,727	12,624,060
Total Revenue Limit Sources	11,833,287	5,567,242
Federal revenues	37,375,095	2,585,833
Other state revenues	6,211,365	2,505,026
Other local revenues	507,635	
Tuition and transfers	203,737,109	23,282,161
Total Revenues		
<b>EXPENDITURES</b>		
Current Expenditures	103,939,017	8,228,077
Certificated salaries	32,221,034	5,130,184
Classified salaries	25,857,677	2,563,959
Employee benefits	10,647,956	3,583,678
Books and supplies	15,953,751	2,426,285
Services and other operating expenditures	3,081,663	1,040,714
Other outgo	6,919,982	831,617
Capital outlay		
Debt service - principal	1,286,500	269,602
Debt service - interest and other	199,907,580	24,074,116
Total Expenditures		
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	3,829,529	(791,955)
OTHER FINANCING SOURCES/(USES)	50,000	1,195,232
Operating transfers in	(3,401,607)	(62,554)
Operating transfers out	845,355	67,206
Other sources	(2,506,252)	1,199,884
Total Other Financing Sources/(Uses)		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	1,323,277	407,929
FUND BALANCE, BEGINNING OF YEAR	17,388,915	3,361,158
FUND BALANCE, END OF YEAR	\$ 18,712,192	\$ 3,769,087

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

Special Revenue			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
2,642,889	\$ 12,624,060	\$ (18,829)			
2,642,889	12,624,060	(18,829)			
6,347,538	5,567,242	(780,296)			
1,267,923	2,585,833	1,317,910	\$ 2,174,163	\$ 10,527,309	\$ 8,353,146
2,901,230	2,505,026	(396,204)	14,374,000	17,369,689	2,995,689
23,159,580	23,282,161	122,581	16,548,163	27,896,998	11,348,835
7,863,925	8,228,077	(364,152)			
4,986,853	5,130,184	(143,331)	134,118	130,925	3,193
2,854,421	2,563,959	290,462	22,437	23,217	(780)
4,256,417	3,583,678	672,739			
2,965,710	2,426,285	539,425	1,641,000	4,571,538	(2,930,538)
1,303,115	1,040,714	262,401		10,466	(10,466)
700,587	831,617	(131,030)	15,750,368	11,585,758	4,164,610
			880,000	880,000	
255,128	269,602	(14,474)	4,767,672	4,570,363	197,309
25,186,156	24,074,116	1,112,040	23,195,595	21,772,267	1,423,328
(2,026,576)	(791,955)	1,234,621	(6,647,432)	6,124,731	12,772,163
875,000	1,195,232	320,232	1,580,949	2,418,929	837,980
(62,554)	(62,554)		(200,000)	(200,000)	
	67,206	67,206	6,000,000	3,627,902	(2,372,098)
812,446	1,199,884	387,438	7,380,949	5,846,831	(1,534,118)
(1,214,130)	407,929	1,622,059	733,517	11,971,562	11,238,045
3,361,158	3,361,158		17,261,486	17,261,486	
2,147,028	\$ 3,769,087	\$ 1,622,059	\$ 17,995,003	\$ 29,233,048	\$ 11,238,045

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## ALL GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2000

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Revenue Limit Sources			
State apportionments	\$ 113,058,912	\$ 113,084,586	\$ 25,674
Local Sources	47,572,648	47,349,201	(223,447)
Total Revenue Limit Sources	160,631,560	160,433,787	(197,773)
Federal revenues	20,646,429	17,400,529	(3,245,900)
Other state revenues	42,785,095	50,488,237	7,703,142
Other local revenues	22,888,781	25,765,936	2,877,155
Tuition and transfers	2,884,877	827,779	(2,057,098)
Total Revenues	249,836,742	254,916,268	5,079,526
<b>EXPENDITURES</b>			
Current Expenditures			
Certificated salaries	112,635,767	112,167,094	468,673
Classified salaries	36,308,445	37,482,143	(1,173,698)
Employee benefits	29,829,947	28,444,853	1,385,094
Books and supplies	18,582,446	14,231,634	4,350,812
Services and operating expenditures	20,880,138	22,951,574	(2,071,436)
Other outgo	3,856,640	4,132,843	(276,203)
Capital outlay	26,474,318	19,337,357	7,136,961
Debt service - principal	880,000	880,000	
Debt service - interest and other	6,184,768	6,126,465	58,303
Total Expenditures	255,632,469	245,753,963	9,878,506
<b>EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES</b>	<u>(5,795,727)</u>	<u>9,162,305</u>	<u>14,958,032</u>
<b>OTHER FINANCING SOURCES/(USES)</b>			
Operating transfers in	2,455,949	3,664,161	1,208,212
Operating transfers out	(2,387,911)	(3,664,161)	(1,276,250)
Other sources	6,000,000	4,540,463	(1,459,537)
Total Other Financing Sources/(Uses)	6,068,038	4,540,463	(1,527,575)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES</b>	<u>272,311</u>	<u>13,702,768</u>	<u>13,430,457</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>38,011,559</u>	<u>38,011,559</u>	
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 38,283,870</u>	<u>\$ 51,714,327</u>	<u>\$ 13,430,457</u>

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

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Sweetwater Union High School District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants, except that a complete historical cost record of fixed assets has not been maintained. The Sweetwater Union High School District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

#### A. Financial Reporting Entity

The District includes all funds and account groups that are controlled by or are dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined there are no potential component units that meet the criteria for inclusion within the reporting entity.

The Sweetwater Union High School District had financial and operational relationships with the Sweetwater Union High School Facilities Corporation (SFC) and the Community Facilities District Number One (CFD) which meet the reporting entity definition criteria of GASB Statement No. 14, The Financial Reporting Entity, as component units of the District. Accordingly, the financial activities of SFC and CFD have been included in the financial statements of the District.

For financial presentation purposes, the SFC and CFD financial activity has been blended, or combined, with the financial data of the District. The financial statements present the SFC's financial activity within the State School Building Fund. Certificates of participation issued are included in the general long-term debt account group. The financial statements present the CFD financial activity within the Community Facilities District Building Fund and the Community Facilities District (CFD) Special Tax Agency Fund.

#### B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (or retained earnings), revenues, and expenditures (or expenses), as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

### Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

### Fiduciary Funds

- Expendable Trust Funds are used to account for assets held by the District as trustee.

### Account Group

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, the long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account group(s) of the District.

- The General Long-term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

### C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

### D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for those funds associated with the District's component units. The District's governing board adopts an operating budget no later than July 1 in accordance with state law. The Board revised this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Education satisfied these requirements.

### E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

### F. Stores Inventory

Inventory is valued at cost. Inventory in the applicable funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

### G. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is recognized at year-end in the governmental fund that will pay the benefit. The noncurrent portion of the liability is recognized in the general long-term debt account group.

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, therefore, 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.



# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

### H. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

### I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. The District recognizes tax revenues when received.

### J. Deferred Revenue

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

### K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### L. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE #2 - CASH

Cash at June 30, 2000, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Cash on hand and in banks			\$ 3,958,732	\$ 3,958,732	\$ 4,112,011
Cash in revolving fund			22,030	22,030	25,300
Total Deposits			<u>\$ 3,980,762</u>	<u>\$ 3,980,762</u>	<u>\$ 4,137,311</u>

\*These categories are as follows:

- Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name.

At June 30, 2000, the carrying amount of the District's deposits was \$4,137,311, and the bank balance was \$3,980,762. All cash held by financial institutions is fully insured.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE #3 - INVESTMENTS

Investments at June 30, 2000, held on behalf of the Sweetwater Union High School District are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category *			Reported Amount	Fair Value
	1	2	3		
Categorized:					
U.S. Treasury Obligations			\$ 1,439,187	\$ 1,439,187	\$ 1,439,187
SEI Government Fund			120,660	120,660	120,186
First American Treasury Fund			7,328,502	7,328,502	7,328,502
JPM Institutional Services			194	194	194
TMG Financial Services			518,500	518,500	518,500
One Group Treasury			596,720	596,720	596,720
Fidelity Investments			563,027	563,027	563,027
Total			<u>\$ 10,566,790</u>	<u>10,566,790</u>	<u>10,566,316</u>
Uncategorized:					
Deposits with county treasurer				48,786,923	48,421,412
				<u>\$ 59,353,713</u>	<u>\$ 58,987,728</u>

These categories are as follows:

- Category 1: Insured or registered, or securities held by the District/Corporation or its agent in the District's name.
- Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.
- Category 3: Uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the District's name.

#### A. Authorized Investments

The District is authorized 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.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### B. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of San Diego. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

### NOTE #4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2000, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Trust</u>	<u>Total</u>
Federal Government					
Categorical aid	\$ 1,750,768	\$ 1,822,930			\$ 3,573,698
State Government					
Apportionment		213,897			213,897
Categorical aid	1,102,171	82,623			1,184,794
Other state	2,290,497	1,030,629			3,321,126
Local Government					
Interest	421,609	39,968	\$ 139,338	\$ 208	601,123
Other Local Sources	1,429,607	241,745	77,934	67,327	1,816,613
Total	<u>\$ 6,994,652</u>	<u>\$ 3,431,792</u>	<u>\$ 217,272</u>	<u>\$ 67,535</u>	<u>\$ 10,711,251</u>

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE #5 - INTERFUND TRANSACTIONS

#### A. Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2000, are as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 4,157,758	\$ 4,992,040
Adult education	1,574,594	2,224,204
Cafeteria	236,611	1,935,414
Deferred maintenance	975,000	
Capital facilities		210,773
State school building	656,060	461
County school facilities	2,418,929	656,060
Total	<u>\$ 10,018,952</u>	<u>\$ 10,018,952</u>

#### B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2000, are as follows:

The General fund transferred to the Adult Education fund.	\$ 135,501
The General fund transferred to the Cafeteria fund.	84,731
The General fund transferred to the Deferred Maintenance fund.	975,000
The General fund transferred to the Special Reserve - Capital fund.	2,206,375
The Adult Education fund transferred to the Special Reserve - Capital fund.	62,554
The Capital Facilities fund transferred to the General fund.	50,000
The Capital Facilities fund transferred to the Special Reserve - Capital fund.	150,000
Total	<u>\$ 3,664,161</u>

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE #6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2000, consist of the following:

	General	Special Revenue	Capital Projects	Trust	Total
Accrued payroll	\$ 4,508,789	\$ 401,316			\$ 4,910,105
Accrued vacation	519,690				519,690
Apportionment	854,171				854,171
Federal categoricals	155				155
State categoricals	42,158				42,158
Special education services	626,658				626,658
Construction	649,154		\$ 1,120,423		1,769,577
Other	2,719,323	297,519	2,182	\$ 363,467	3,382,491
Total	<u>\$ 9,920,098</u>	<u>\$ 698,835</u>	<u>\$ 1,122,605</u>	<u>\$ 363,467</u>	<u>\$ 12,105,005</u>

### NOTE #7 - DEFERRED REVENUE

Deferred revenue at June 30, 2000, consists of the following:

	General	Special Revenue	Capital Projects	Total
Federal financial assistance	\$ 947,018	\$ 225		\$ 947,243
State categorical aid	3,696,243	184,929		3,881,172
Other local	1,544,710	72,643	\$ 2,141,543	3,758,896
Total	<u>\$ 6,187,971</u>	<u>\$ 257,797</u>	<u>\$ 2,141,543</u>	<u>\$ 8,587,311</u>

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE #8 - FUND BALANCES

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

	General	Special Revenue
Reserved		
Revolving cash	\$ 25,000	\$ 300
Stores inventory	452,794	106,679
Total Reserved	<u>477,794</u>	<u>106,979</u>
Unreserved		
Designated		
Economic uncertainties	6,099,272	
Mandated costs	1,086,107	
Facilities construction	800,000	
Site budget carryover	1,000,000	
Categorical carryover	2,960,020	
Other	725,182	
Total Designated	<u>12,670,581</u>	
Undesignated	5,563,817	3,662,108
Total Unreserved	<u>18,234,398</u>	<u>3,662,108</u>
Total	<u>\$ 18,712,192</u>	<u>\$ 3,769,087</u>

# **SWEETWATER UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000**

### **NOTE #9 - GENERAL LONG-TERM DEBT**

#### Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2000, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
Certificates of participation	\$ 10,377,500		\$ 1,000,000	\$ 9,377,500
Accumulated vacation - net	2,102,507	\$ 199,649		2,302,156
Postemployment benefits	6,183,432	796,304	1,746,738	5,232,998
Capital leases	11,247,864	165,070	1,044,833	10,368,101
Mello-Roos special tax revenue bonds	47,860,000		880,000	46,980,000
	<u>\$ 77,771,303</u>	<u>\$ 1,161,023</u>	<u>\$ 4,671,571</u>	<u>74,260,755</u>
Amount currently available and reserved for retirement of general long-term debt special reserve				<u>(4,023,825)</u>
Amount to be provided for retirement of general long-term debt				<u>\$ 70,236,930</u>

The District accounts for its debt service through the Special Reserve Fund.

#### Certificates of Participation

On October 1, 1991, the District entered into an agreement to advance refund the outstanding COP's issued in fiscal 1987. The proceeds for the advance funding were obtained by issuing COP's in the amount of \$10,065,000 with interest rates ranging from 4.30 percent to 6.5 percent. The COP's mature on November 1, 2004. The amount of bonds outstanding at June 30, 2000, is \$4,372,500.

On April 1, 1997, the Sweetwater Union High School District Financing Corporation issued \$5,185,000 of certificates of participation, with interest rates ranging from 4.7 to 6.1 percent. The proceeds of the certificates were used to acquire portable classrooms. The amount of bonds outstanding at June 30, 2000, is \$5,005,000.



# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

The certificates mature through 2005 as follows:

Year Ending June 30,	Principal	Interest	Total
2001	\$ 872,500	\$ 280,498	\$ 1,152,998
2002	927,500	225,080	1,152,580
2003	985,000	165,720	1,150,720
2004	1,047,500	102,680	1,150,180
2005	540,000	35,100	575,100
	<u>\$ 4,372,500</u>	<u>\$ 809,078</u>	<u>\$ 5,181,578</u>

Year Ending June 30,	Principal	Interest	Total
2001	\$ 375,000	\$ 259,664	\$ 634,664
2002	395,000	237,056	632,056
2003	425,000	214,669	639,669
2004	450,000	194,296	644,296
2005	480,000	172,131	652,131
Thereafter	2,880,000	449,190	3,329,190
	<u>\$ 5,005,000</u>	<u>\$ 1,527,006</u>	<u>\$ 6,532,006</u>

### C. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2000, amounted to \$2,302,156.

### D. Postemployment Benefits

The District provides postemployment health care benefits, in accordance with District employment contracts, to all qualified employees who retire from the District on or after attaining age 55 with at least 15 years of service. Currently, 257 employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retiree's premiums are paid. During the year, expenditures of \$900,238 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2000, amounts to \$3,047,998. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in affect at June 30, 2000, multiplied by the number of years of payments remaining.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

The District offered a classified and certificated retirement incentive program for employees that retired between July 1, 1999, and June 30, 2000. The District payment of retirement incentive amounts are based on the years of service the employees worked. All payments must be made payable to a qualified retirement plan designated by the employee. Under these plans the District would pay installments based on the plan option that the eligible employee elected. Currently, 104 employees are on this plan. Expenditures for retirement incentive payout were approximately \$846,500 for the current year. The approximate accumulated future liability for the District at June 30, 2000, amounts to \$2,185,000.

The approximate accumulated future liability for postemployment benefits for the District at June 30, 2000, amounts to \$5,232,998.

### E. Capital Leases

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

	Relocatables	Metro Network	Buses	Equipment	Total
Balance, Beginning of Year	\$ 11,062,269	\$ 1,350,441	\$ 667,590	\$ 547,798	\$ 13,628,098
Additions				165,070	165,070
Payments	(991,075)	(225,074)	(172,695)	(189,528)	(1,578,372)
Balance, End of Year	<u>\$ 10,071,194</u>	<u>\$ 1,125,367</u>	<u>\$ 494,895</u>	<u>\$ 523,340</u>	<u>\$ 12,214,796</u>

The capital leases benefits have minimum estimated payments as follows:

Year Ending June 30,	Lease Payment
2001	\$ 1,969,131
2002	2,273,593
2003	2,195,336
2004	1,839,303
2005	3,937,433
Total	<u>12,214,796</u>
Less: Amount Representing Interest	<u>(1,846,695)</u>
Present Value of Minimum Lease Payments	<u>\$ 10,368,101</u>

### F. Mello-Roos Special Tax Revenue Bonds

In May 1995, the Y/S School Facilities Financing Authority issued refunding bonds in the amount of \$31,365,000 with interest rates ranging from 5.5 to 6.1 percent. At June 30, 2000, the principal balance outstanding was \$27,730,000.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

In March 1997, the Y/S Facilities Financing Authority issued \$19,250,000 of tax revenue bonds with interest rates ranging from 5.2 to 5.6 percent. At June 30, 2000, the principal balance outstanding was \$19,250,000. The refunding bonds mature through 2015 as follows:

Year Ending June 30, 2000	Principal	Interest	Total
2001	\$ 975,000	\$ 1,594,117	\$ 2,569,117
2002	1,090,000	1,537,330	2,627,330
2003	1,210,000	1,474,080	2,684,080
2004	1,330,000	1,404,230	2,734,230
2005	1,455,000	1,327,643	2,782,643
Thereafter	21,670,000	7,097,440	28,767,440
	<u>\$ 27,730,000</u>	<u>\$ 14,434,840</u>	<u>\$ 42,164,840</u>

Year Ending June 30, 2000	Principal	Interest	Total
2001		\$ 1,064,588	\$ 1,064,588
2002	\$ 125,000	1,064,588	1,189,588
2003	325,000	1,058,088	1,383,088
2004	450,000	1,041,188	1,491,188
2005	500,000	1,017,788	1,517,788
Thereafter	17,850,000	10,598,019	28,448,019
	<u>\$ 19,250,000</u>	<u>\$ 15,844,259</u>	<u>\$ 35,094,259</u>

### NOTE #10 - EMPLOYEE RETIREMENT SYSTEMS

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

#### A. PERS

##### Plan Description

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

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 1999-2000 was zero percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2000, 1999, and 1998 were \$0, \$0, and \$1,696,533, respectively, and equal 100 percent of the required contributions for each year.

### B. STRS

#### Plan Description

The District contributes to the California State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

#### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 1999-2000 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 2000, 1999, and 1998 were \$7,855,696, \$7,571,671, and \$7,045,974, respectively, and equal 100 percent of the required contributions for each year.

### C. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$5,334,244 (5.602 percent of salaries subject to STRS) and \$31,139 (.093 percent of salaries subject to PERS). Under generally accepted accounting principles, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report (J-200). These amounts also have not been recorded in these financial statements.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE #11 - RISK MANAGEMENT

#### Description

The District's risk management activities are recorded in the General Fund. Employee life and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the San Diego County Schools Risk Management public entity risk pools (JPA) for the workers' compensation programs and purchases excess liability coverage through the JPA. Refer to Note #13 for additional information regarding the JPA.

### NOTE #12 - COMMITMENTS AND CONTINGENCIES

#### A. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance's under terms of the grants, in the opinion of management any required reimbursements will not be material.

#### B. Construction Commitments

As of June 30, 2000, the District had the following commitments with respect to the following unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECT		
High School No. 11	\$ 325,202	07/01/04
High School No. 12	847,008	07/01/03
Relocatable Classrooms/Restrooms - Phase III	2,242,510	10/01/00
Relocatable Restrooms - ARCC	212,000	12/01/00
SOH Concession Stand	165,000	06/01/01
	<u>\$ 3,791,720</u>	

### NOTE #13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the San Diego County Schools Risk Management public entity risk pool. The District pays an annual premium to the entity for its health, workers' compensation, and property liability coverage. 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.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

The 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.

A. Entity San Diego County Schools  
Risk Management.

B. Purpose Arranges for and provides  
property, liability and  
Workers' Compensation  
insurance and certain fringe  
benefits for its members.

C. Participants Various school Districts  
in San Diego County.

D. Governing Board A representative from  
each member District.

E. Condensed Audited Financial Information Follows:

	June 30, 1999*
Assets	\$ 25,326,176
Liabilities	(11,074,958)
Fund Equity	\$ 14,251,218
Revenues	24,059,623
Expenses	(20,456,787)
Net Increase in Fund Equity	\$ 3,602,836

\* Most recent information available.

The JPA had no long-term debts outstanding at June 30, 1999. The District's share of year-end assets, liabilities or fund equity has not been calculated.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

### NOTE #14 – EXPENDITURES (BUDGET VERSUS ACTUAL)

The expenditures of the two Sweetwater Union High School District funds exceeds the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
Capital Facilities	\$ 237,555	\$ 274,087	\$ 36,532
CFD Corporation	\$ 7,149,718	\$ 10,379,659	\$ 3,229,941

### NOTE #15 – SUBSEQUENT EVENTS

The District issued \$5,000,000 of Tax And Revenue Anticipation Notes dated July 5, 2000. The notes mature on June 29, 2001, and yield 4.22 percent interest. The notes were sold to supplement cash flow.

### NOTE #16 – NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

A. Management's Discussion and Analysis (MD&A)

B. Basic Financial Statements which include:

- Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
- Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
- Required supplementary information.

# SWEETWATER UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

- C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2002. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.





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

VALUE THE DIFFERENCE

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

Board of Trustees  
Sweetwater Union High School District  
Chula Vista, California

We have audited the financial statements of Sweetwater Union High School District as of and for the year ended June 30, 2000, and have issued our report thereon dated December 1, 2000. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sweetwater Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sweetwater Union High School District's internal control over financial reporting 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sweetwater Union High School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2000-1 through 2000-15.

IV.1

3270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 ranchinfo@vtdcpa.com www.vtdcpa.com

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vavrinek, Trine, Boyd Co., LLP

Rancho Cucamonga, California  
December 1, 2000



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Sweetwater Union High School District  
Chula Vista, California

Compliance

We have audited the compliance of Sweetwater Union High School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. Sweetwater Union High School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sweetwater Union High School District's management. Our responsibility is to express an opinion on Sweetwater Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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. Our audit does not provide a legal determination on Sweetwater Union High School District's compliance with those requirements.

In our opinion, Sweetwater Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Sweetwater Union High School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sweetwater Union High School District's internal control over compliance with requirements that could have a direct and material effect on a

major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Vavrinek, Trine, Day & Co, LLP*

Rancho Cucamonga, California  
December 1, 2000



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Sweetwater Union High School District  
Chula Vista, California

We have audited the financial statements of the Sweetwater Union High School District as of and for the year ended June 30, 2000, and have issued our report thereon dated December 1, 2000. In our report, our opinion was qualified because the Sweetwater Union High School District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of Sweetwater Union High School District is responsible for compliance with laws and regulations. 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 laws and regulations of the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	4	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Not Applicable
Independent study	13	Yes
Continuation education	13	Yes
Adult education	8	Yes
Regional occupational centers/programs	5	Not Applicable
County Office of Education programs	9	Not Applicable
Incentives for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not Applicable
GANN limit calculation	2	Yes

### IV.5

	Procedures in Controller's Audit Guide	Procedures Performed
Early retirement incentive program	5	Not Applicable
Community day schools	8	No, See Below
Class size reduction program:		
Option one classes	12	Not Applicable
Option two classes	11	Not Applicable
Both options one and two classes	17	Not Applicable
Reduce class size in two courses in grade 9	8	Yes
State instructional materials fund (K-8)	8	Yes
Schiff-Bustamante standards-based instructional materials	4	Yes
Digital High School Education Technology Grant Program	5	Yes
Office of Criminal Justice Planning	-	Not Applicable

The ADA for the Community Day Schools Program was below the materiality threshold as indicated in the "Standard and Procedures for Audits of California K-12 Audit Guided", and therefore we were not required to test this area.

Based on our audit, we found that, for the items tested, the Sweetwater Union High School District complied with the state laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Sweetwater Union High School District had not complied with the laws and regulations.

*Vavrinek, Trine, Dyer Co., LLP*

Rancho Cucamonga, California  
December 1, 2000

## **APPENDIX C**

# **ECONOMIC PROFILE FOR COUNTY OF SAN DIEGO**

### **Introduction**

The County of San Diego is the southernmost major metropolitan area in the State of California. The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the size of the State of Connecticut.

Topography of the County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the county. The climate is equable in the coastal and valley regions where most of the population and resources are located. Average annual rainfall in the coastal areas is approximately 10 inches.

The County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence which contributes approximately \$10 billion into the retail and service businesses of the area.

The County is also growing as a major center for culture and education. Over 30 recognized art organizations including the San Diego Opera, the Old Globe Theater productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

The San Diego Convention Center contains 361,000 square feet of exhibit space and over 100,000 square feet of meeting/banquet rooms. The Convention Center can accommodate events for 30,000-40,000 people.

In addition to the City of San Diego, other principal cities in the County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of the County has a dry, desert-like topography.

### **County Government**

The County was incorporated on February 18, 1850 and functions under a charter adopted in 1933, as subsequently amended from time to time. The County is governed by a five-member Board of Supervisors elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. Elected officials include the Assessor, County Clerk, District Attorney, Recorder, Sheriff and Treasurer/Tax Collector.

## Population

The County has experienced rapid growth and development in the past decade. It has become the nineteenth most populous metropolitan area in the United States. The City of San Diego is the sixth most populous city in the United States. Total population for the County is expected to be over 3.63 million by the year 2015.

The following table shows the January 1 State of California Department of Finance estimates of total population in the San Diego region for each year since 1991, and the increase from the previous year.

TABLE NO. C-1  
COUNTY OF SAN DIEGO  
STATE OF CALIFORNIA  
Population

<u>Growth Year</u>	<u>County</u>	<u>Growth Rate</u>	<u>State</u>	<u>Growth Rate</u>
1991	2,539,600	---	30,296,000	---
1992	2,583,500	1.7%	30,812,000	1.7%
1993	2,614,200	1.2%	31,303,000	1.5%
1994	2,638,500	0.9%	31,661,000	1.1%
1995	2,658,600	0.8%	31,910,000	0.8%
1996	2,682,100	0.9%	32,223,000	1.4%
1997	2,729,100	1.8%	32,670,000	1.2%
1998	2,795,800	2.4%	33,226,000	1.7%
1999	2,855,900	2.0%	33,766,000	1.6%
2000	2,911,500	1.9%	34,336,000	1.7%
Overall increase since 1991		14.6%		13.3%

Source: California State Department of Finance estimates.



## Income

"Effective Buying Income", also referred to as "disposable" or "after-tax" income, consists of personal income less personal tax and certain non-tax payments. Personal income includes wages and salaries, other labor-related income (such as employer contributions to private pension funds), and certain other income (e.g., proprietor's income; rental income; dividends and interest; pensions; and welfare assistance). Deducted from this total are personal taxes (federal, state and local), certain non-tax payments (e.g., fines, fees and penalties), and personal contributions to a retirement program.

The following table shows the median household Effective Buying Income for the County, the State and the United States between calendar years 1994 and 1999.

TABLE NO. C-2  
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME  
Calendar Years 1994 through 1999

	County of <u>San Diego</u>	State of <u>California</u>	United <u>States</u>
1994	\$39,542	\$40,969	\$37,070
1995	33,679	34,533	32,238
1996	34,445	35,216	33,482
1997	35,725	36,483	34,618
1998	36,296	37,091	35,377
1999	39,213	39,492	37,223

Source: Sales & Marketing Management Magazine "Survey of Buying Power."

## Employment

The County's unemployment rate in 2000 averaged 3.0%. The County's 2000 unemployment rate was lower than the State's at 4.9% and the national rate of 4.0%.

**TABLE NO. C-3**  
**ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND**  
**Unemployment of Resident Labor Force**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Civilian Labor Force - County of San Diego						
Employed	1,155,300	1,175,900	1,230,800	1,273,500	1,316,000	1,350,100
Unemployed	78,600	65,300	54,300	46,400	41,900	41,200
Unemployment Rates <sup>(1)</sup>						
County	6.4%	5.3%	4.2%	3.5%	3.1%	3.0%
California	7.8%	7.2%	6.3%	5.9%	5.2%	4.9%
United States	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%

<sup>(1)</sup> The unemployment rate is computed from unrounded data and may differ from rates using the rounded figures in this table. March 1999 Benchmark; data not seasonally adjusted.

Source: State of California Employment Development Department, Labor Market Information Division.

**TABLE NO. C-4**  
**COUNTY OF SAN DIEGO, CALIFORNIA, AND UNITED STATES**  
**Labor Force, Employment, and Unemployment**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate<sup>(1)</sup></u>
1995				
San Diego	1,233,900	1,155,300	78,600	6.4%
California	15,412,200	14,202,800	1,209,400	7.8
United States	132,304,000	124,900,000	7,404,000	5.6
1996				
San Diego	1,241,200	1,175,900	65,300	5.3
California	15,511,600	14,391,500	1,120,100	7.2
United States	133,943,000	126,708,000	7,236,000	5.4
1997				
San Diego	1,285,100	1,230,800	54,300	4.2
California	15,947,300	14,942,500	1,004,700	6.3
United States	136,297,000	129,558,000	6,739,000	4.9
1998				
San Diego	1,319,900	1,273,500	46,400	3.5
California	16,323,900	15,355,600	968,200	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999*				
San Diego	1,358,100	1,316,100	41,900	3.1
California	16,585,900	15,721,700	864,200	5.2
United States	139,368,000	133,488,000	5,880,000	4.2
2000				
San Diego	1,391,200	1,350,100	41,200	3.0
California	17,003,100	16,167,800	835,400	4.9
United States	140,863,000	135,208,000	5,655,000	4.0

<sup>(1)</sup> Unemployment rate is based on unrounded data.

March 1999 Benchmark; data are not seasonally adjusted

Source: California State Employment Development Department.

## Employment and Industry

The District is located in the San Diego County MSA labor market. Four major job categories constitute 83.0% of the work force. They are services (33.1%), wholesale and retail trade (22.3%) government (16.0%) and manufacturing (11.0%). The August, 2000 unemployment rate in the San Diego County area was 3.3%. The State of California August, 2000 unemployment rate (unadjusted) was 5.0%.

**TABLE NO. C-5**  
**SAN DIEGO COUNTY MSA**  
**Wage and Salary Workers by Industry <sup>(1)</sup>**  
**(in thousands)**

<b>Industry</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Government	178.2	179.8	184.0	184.7	190.0
Services	330.9	348.7	365.6	387.7	391.8
Finance, Insurance & Real Estate	57.9	62.1	66.7	69.1	68.9
Wholesale & Retail Trade	237.8	248.4	251.3	256.7	264.7
Transportation & Public Utilities	38.9	41.1	48.8	52.4	53.6
Manufacturing:					
Nondurable goods	32.7	34.6	36.2	37.0	38.3
Durable goods	85.7	90.4	92.1	92.0	92.7
Construction and Mining	47.7	56.4	65.2	68.8	72.2
<b>Total Nonagricultural</b>	<b>1,009.8</b>	<b>1,061.5</b>	<b>1,109.9</b>	<b>1,148.4</b>	<b>1,172.2</b>
Agriculture, forestry & fisheries*	11.1	11.0	11.1	11.9	12.7
<b>Total (all industries)</b>	<b>1,020.9</b>	<b>1,072.5</b>	<b>1,121.0</b>	<b>1,160.3</b>	<b>1,184.9</b>

(1) Annually, as of August, 2000.

\* Due to the change in the estimating method, farm employment data prior to January, 1997 may not be strictly comparable to current farm employment estimates.

Source: State of California Employment Development Department, "Annual Planning Information" and "California Labor Market Bulletin".

## Construction

The County building permit valuation increased 138.1% between 1995 and 1999. Annual total building permit valuation and unit volume in the County since 1995 are shown below. Building Permit Valuations for 2000 are not yet available.

TABLE NO. C-6  
COUNTY OF SAN DIEGO  
Building Permit Valuations

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
<u>Valuation (in 000s)</u>					
Residential	\$1,187,952	\$1,358,355	\$2,032,771	\$2,314,056	\$2,985,960
Non-residential	<u>627,298</u>	<u>738,595</u>	<u>958,229</u>	<u>1,211,275</u>	<u>1,336,629</u>
Total	\$1,815,250	\$2,096,950	\$2,991,000	\$3,525,331	\$4,322,589
 <u>New Housing Units</u>					
Single Units	4,736	5,816	8,338	9,160	9,993
Multiple Units	<u>1,872</u>	<u>1,052</u>	<u>3,064</u>	<u>3,013</u>	<u>6,434</u>
Total	6,608	6,868	11,402	12,173	16,427

Note: Unincorporated area's single-family units count is revised downward from previous reports (July through December) because of discrepancies in the data reported by the County for the unincorporated area. Totals may not add due to independent rounding.

Source: "California Building Permit Activity," Economic Sciences Corporation for 1993 through 1995; Construction Industry Research Board for 1996 and 1997.

## Transportation

Excellent surface, sea and air transportation facilities service county residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of the San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is the third most active commercial airport in California, served by 18 major airlines. A West Terminal was completed in mid-1979, approximately doubling terminal capacity. In addition to San Diego International Airport, there are two naval air stations and seven general aviation airports located in the county.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego with stops at Del Mar and Oceanside in the north county. San Diego's harbor is one of the world's largest natural harbors. The harbor, a busy commercial port, has also become an extremely popular destination for cruise ships. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

## **Research and Development**

Research and development activity plays an important role in the area's economy. Construction of a major campus of the University of California at San Diego (UCSD) in 1964 gave significant impetus to this development.

The County is a leading health sciences and biomedical center. Approximately 35,000 persons are engaged in life sciences-related activities in the metropolitan area, with over 28,000 employed directly in health services. In addition to UCSD, other established research institutions in the La Jolla area of the City include the Salk Institute for Biological Studies, the Scripps Clinic and Research Foundation, and the Scripps Institution of Oceanography.

## **Visitor and Convention Activity**

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory allow San Diego to attract visitor and convention business each year. The development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego community concourse have contributed to the growth in tourism. The visitor and convention business is expected to continue to increase steadily.

## APPENDIX D

# FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the SWEETWATER UNION HIGH SCHOOL DISTRICT (the "District") in connection with the issuance of \$38,000,000 Election of 2000, General Obligation Bonds, Series A (the "Bonds"). The Bonds are being authenticated and delivered pursuant to a Resolution of the District. The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"Disclosure Representative" shall mean the Superintendent of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Bond Registrar from time to time.

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

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Repository for purposes of the Rule.

"Participating Underwriters" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

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

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

### Section 3. Provision of Annual Reports.

(a) The Dissemination Agent shall not later than February 28 of each year, commencing February 28, 2002, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent (if the Issuer is not the Dissemination Agent) to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Dissemination Agent (if the Issuer is not the Dissemination Agent) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer, to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating that the date it was provided and listing all the Repositories to which it was provided.

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

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

(b) Other financial information and operating data relating to the District contained in the Official Statement for the Bonds in Table Nos. 1, 3-5 inclusive, and 9 under the headings "FINANCIAL INFORMATION" and "DEBT STRUCTURE" 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 incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document



incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Delinquency in payment when due of any principal of or interest on the Bonds.
2. Occurrence of any Event of Default under and as defined in the Resolution (other than as described in clause (1) above).
3. Amendment to the Resolution, Lease Agreement, Assignment Agreement, Pledge Agreement, Ground Lease or this Disclosure Certificate modifying the rights of the holders of the Bonds.
4. Giving of a notice of optional or unscheduled redemption or any Bonds.
5. Defeasance of the Bonds or any portion thereof.
6. Any change in the rating, if any, on the Bonds.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Any unscheduled draw on the Reserve Fund reflecting financial difficulties.
9. Any unscheduled draws on any credit enhancement reflecting financial difficulties.
10. Any change or substitution in the provider of any credit enhancement, or any failure by the credit enhancer to perform on the credit enhancement.
11. The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in clauses (a)(1), (4) or (5)), contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notifies the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Dissemination Agent whether or not to report such event to the Bond holders unless otherwise required to be reported by the Dissemination Agent to the Bond holders under the Resolution. For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the officer at the office of the Dissemination Agent with responsibility for matters regarding the Resolution.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would constitute material information for holders of the Bonds under applicable Federal securities law, provided, that any event under subsection (a)(6) will always be deemed to be material.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall promptly notify the Dissemination Agent

in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable Federal securities law, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) notice of Listed Events described in subsections (a)(4) and (5) shall not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Resolution.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days' written notice to the Issuer. Upon receiving notice of such resignation, the Issuer shall promptly appoint a successor Dissemination Agent by an instrument in writing. Any resignation or removal of the Dissemination Agent shall become effective upon acceptance of appointment by the successor Dissemination Agent.

If no appointment of a successor Dissemination Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Dissemination Agent shall have given to the Issuer written notice or after a vacancy in the office of the Dissemination Agent shall have occurred by reason of its inability to act, the Dissemination Agent or any beneficial owner may apply to any court of competent jurisdiction to appoint a successor Dissemination Agent. Said court may thereupon, after such notice, if any, a such court may deem proper, appoint a successor Dissemination Agent.

If, by reason of the judgment of any court, or reasonable agency, the Dissemination Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Dissemination Agent hereunder shall be assumed by and vest in the Issuer in trust for the benefit of the beneficial owners. The Issuer covenants for the direct benefit of the beneficial owners that its Treasurer in such case shall be vested with all of the rights and powers of the Dissemination Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Dissemination Agent hereunder, in trust for the benefit of the beneficial owners of the Bonds. In such event, the Treasurer may designate a successor Dissemination Agent qualified to act as Dissemination Agent hereunder.

Section 9. Amendment. (a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations

thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Bond Registrar an opinion of nationally recognized bond counsel or counsel expert in federal securities law, addressed to the Issuer and the Bond Registrar, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities law, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

(b) This Disclosure Certificate may be amended, by written agreement of the parties, upon obtaining consent of Owners of at least 25% of the outstanding Bonds.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer 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 Issuer 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 11. Default. In the event of a failure of the Issuer or the Bond Registrar to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Bond Registrar, as the case may be, to comply with their obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Bond Registrar to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Bond Registrar and Dissemination Agent. The Dissemination Agent (if other than the Issuer or the Bond Registrar or the Bond Registrar in its capacity as Dissemination Agent and the Bond Registrar) shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent and the Bond Registrar, their 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Bond Registrar's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its

duties hereunder. The Dissemination Agent and the Bond Registrar shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owners, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Date: April 10, 2001

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: \_\_\_\_\_

Authorized Signatory

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Sweetwater Union High School District  
Name of Bond Issue: Election of 2000, General Obligation Bonds, Series A  
Date of Issuance: April 10, 2001

NOTICE IS HEREBY GIVEN that the Sweetwater Union High School District has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated as of April 10, 2001. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

cc: Issuer



## FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation**  
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

President

Attest:

Assistant Secretary

**SPECIMEN**