NEW ISSUE - BOOK-ENTRY ONLY

RATINGS

Standard & Poor's: AAA

Moody's: Aaa

Standard & Poor's: A+ (underlying)

Moody's: A2 (underlying)

(See "Municipal Bond Insurance" and "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 and Accreted Value (as defined herein) 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 and Accreted Value on the Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals or corporations. Interest and Accreted Value 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

SWEETWATER UNION HIGH SCHOOL DISTRICT

$96,999,415.35
SWEETWATER UNION HIGH SCHOOL DISTRICT
ELECTION OF 2000
GENERAL OBLIGATION BONDS, SERIES C

Dated: Date of Delivery

Due: August 1, as shown on the inside front cover.

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 Current Interest Bonds (as defined herein) is payable on February 1, 2005, and semiannually thereafter on August 1 and February 1 of each year until maturity or earlier redemption (each, a "Bond Payment Date"). The Capital Appreciation Bonds (as defined herein) accrete interest from their dated date, and interest is compounded on February 1, 2005 and semiannually on each August 1 and February 1, thereafter, payable only at maturity (see "THE BONDS - General Provisions" and "THE BONDS – Redemption" herein).

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the Accreted Value, as defined herein) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC. See "SECURITY FOR THE BONDS – Municipal Bond Insurance" herein.

FSA

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 and Accreted Value 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 November 4, 2004 for deposit with The Depository Trust Company (see "THE BONDS - General Provisions - Book-Entry Only System" herein).

The date of the Official Statement is October 21, 2004.

UBS Financial Services Inc.

Estrada Hinojosa & Company, Inc.

$96,999,415.35
SWEETWATER UNION HIGH SCHOOL DISTRICT
ELECTION OF 2000
GENERAL OBLIGATION BONDS, SERIES C

MATURITY SCHEDULE
$63,570,000.00 Current Interest Serial Bonds
(Base CUSIP† 870462)

Maturity Date August 1	Principal Amount	Interest Rate	Yield	CUSIP†
2008	$ 705,000.00	2.50%	2.15%	NL8
2009	1,325,000.00	2.625	2.45	NM6
2010	1,935,000.00	3.00	2.77	NN4
2011	2,390,000.00	3.25	3.00	NP9
2012	2,875,000.00	3.50	3.16	NQ7
2013	3,395,000.00	3.50	3.34	NR5
2014	3,945,000.00	5.00	3.44	NS3
2026	7,575,000.00	4.75	4.56*	PE2
2027	10,170,000.00	4.75	4.62*	PG7
2028	11,095,000.00	4.75	4.65*	PH5
2029	18,160,000.00	5.00	4.52*	PJ1

* Priced to the August 1, 2014 Optional Call Date.

$33,429,415.35 Capital Appreciation Serial Bonds

Maturity Date August 1	Initial Principal Amount	Final Accreted Value	Accretion Rate	Reoffering Yield to Maturity	CUSIP†
2015	$2,872,777.60	$4,585,000.00	4.40%	4.26%	NT1
2016	2,891,897.90	5,030,000.00	4.77	4.41	NU8
2017	2,814,648.90	5,495,000.00	5.32	4.50	NV6
2018	2,903,969.50	5,975,000.00	5.32	4.62	NW4
2019	2,976,787.80	6,455,000.00	5.32	4.71	NX2
2020	3,045,487.20	6,960,000.00	5.32	4.82	NY0
2021	3,107,697.15	7,485,000.00	5.32	4.92	NZ7
2022	3,088,568.00	7,840,000.00	5.32	5.00	PA0
2023	3,070,767.00	8,215,000.00	5.32	5.05	PB8
2024	3,048,474.60	8,595,000.00	5.32	5.12	PC6
2025	3,027,177.30	8,995,000.00	5.32	5.20	PD4
2026	581,162.40	1,820,000.00	5.32	5.27	PF9

(Capital Appreciation Bonds shall Compound in Accreted Value from Their Date of Delivery)

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriters. 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.

Involvement of Underwriters. The Underwriters have submitted the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Information Subject to Change. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriters may overallot 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 Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

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

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "SECURITY FOR THE BONDS – Municipal Bond Insurance" and "APPENDIX E - SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

SWEETWATER UNION HIGH SCHOOL DISTRICT

SAN DIEGO COUNTY, CALIFORNIA

ADMINISTRATION

Dr. Edward M. Brand, *Superintendent*
Mr. Barry S. Dragon, *Chief Financial Officer*
Mr. Bruce A. Husson, *Chief Operating Officer*
Ms. Kathleen Wright, *Director of Planning and Construction*

PROFESSIONAL SERVICES

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

Financial Advisor
Harrell & Company Advisors, LLC
Orange, California

Underwriters
UBS Financial Services Inc.
Los Angeles, California

Estrada Hinojosa & Company, Inc.
San Diego, California

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

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OFFICIAL STATEMENT

$96,999,415.35

SWEETWATER UNION HIGH SCHOOL DISTRICT

ELECTION OF 2000

GENERAL OBLIGATION BONDS, SERIES C

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 C (the "Bonds"), in the aggregate principal amount of $96,999,415.35, to be offered by the County of San 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 currently serves approximately 40,000 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 September 27, 2004 and by the Board of Supervisors of the County on October 19, 2004 (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 third and final series of bonds pursuant to the Authorization.

Security and Sources of Repayment

The Bonds. 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 and Accreted Value of the Bonds when due (see "SECURITY FOR THE BONDS" and "FINANCIAL INFORMATION" herein).

Municipal Bond Insurance

Payment of the principal of and interest on the Current Interest Bonds and Accreted Value with respect to the Capital Appreciation Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Security Assurance Inc. simultaneously with the delivery of the Bonds.

The Project

Measure "BB" for remodeling, new construction and renovation of District facilities (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 is expected by December 2007.

Purpose

The Bonds are being issued to provide funds for modernization projects at 19 schools, including planning, design and construction costs for the facilities to be competed at all schools, and to pay the expenses incurred in connection with the issuance of the Bonds (see "THE FINANCING PLAN - Estimated Sources and Uses of Funds" and "The Project" 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 Burke, Williams & Sorensen, LLP, District Counsel, and by Best Best & Krieger LLP, Riverside, California, Disclosure Counsel.

Professional Services

Harrell & Company Advisors, LLC, the District's Financial Advisor, 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 Financial Advisor are contingent upon the sale and delivery of the Bonds.

The District's financial statements for the Fiscal Year ended June 30, 2003, attached hereto as "APPENDIX B" have been audited by Nigro Nigro & White, LLP, Certified Public Accountants, San Diego, California.

Offering and Delivery of the Bonds

The Bonds are offered, when, as and if executed and delivered, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery in New York, New York on or about November 4, 2004 for deposit with The Depository Trust Company.

Information Concerning this Official Statement

This Official Statement speaks only as of its date. The information set forth herein has been obtained by the District with the assistance of Harrell & Company Advisors, LLC, (the "Financial Advisor,") from sources which are believed to be reliable and such information is believed to be accurate and complete, 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 Financial Advisor, Disclosure Counsel or the Underwriters. 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.

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 Financial Advisor. Copies of these documents may be obtained after delivery of the Bonds from the District at Sweetwater Union High School District, 1130 Fifth Avenue, Chula Vista, California 91911, telephone (619) 691-5550.

THE BONDS

General Provisions

The Bonds. A portion of the Bonds ($63,570,000.00) will be issued as serial bonds bearing interest payable semiannually (the "Current Interest Bonds") and the remaining $33,429,415.35 principal amount of the Bonds will be issued as serial bonds accreting interest compounded semiannually (the "Capital Appreciation Bonds"). Original principal plus accrued interest of a Capital Appreciation Bond equals the Accreted Value (as further defined herein) of the Capital Appreciation Bond.

The Current Interest Bonds will be issued in the minimum denomination of $5,000 each or any integral multiple thereof. The Capital Appreciation Bonds will be issued in denominations which will produce $5,000 of Accreted Value at maturity, or any integral multiple thereof.

Repayment of the Bonds. Interest on the Current Interest Bonds is payable at the rates per annum set forth on the inside front 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 inside front cover page hereof.

Each Current Interest 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.

Each Capital Appreciation Bond will be dated the Date of Delivery. No payments of interest will be made with respect to Capital Appreciation Bonds prior to maturity thereof. Interest on the Capital Appreciation Bonds will be compounded semi-annually on each Bond Payment Date commencing February 1, 2005 and the Accreted Value of a Capital Appreciation Bond is payable at maturity.

The Accreted Value per $5,000 amount due at maturity of the Capital Appreciation Bonds as of the date of issuance and as of each Bond Payment Date thereafter is shown in the Table of Accreted Values (the "Table of Accreted Values") attached hereto as "APPENDIX F." "Accreted Value" means, with respect to any Capital Appreciation Bond, the total amount of principal thereof and interest payable thereon as of any Bond Payment Date or at maturity or at redemption determined solely by reference to the Table of Accreted Values set forth as a part of such Capital Appreciation Bond and reproduced in the Table of Accreted Values and in the Resolution. The Accreted Value of any Capital Appreciation Bond as of any date other than a Bond Payment Date shall be the sum of (a) the Accreted Value as of the Bond Payment Date immediately preceding the date as of which the calculation is being made and (b) interest on the Accreted Value determined pursuant to the preceding clause (a), computed to the date as of which the calculation is being made at the respective yield set forth on each such Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months).

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 and Accreted Value, 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 with respect to a Current Interest Bond or maturity amount with respect to a Capital Appreciation Bond and of like maturity. The Bond Registrar may require the payment by the Bondholder 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 Current Interest Bonds maturing on or after August 1, 2015 are subject to redemption prior to maturity on any Bond Payment Date on or after August 1, 2014, 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, without premium.

The Capital Appreciation Bonds and not subject to redemption prior to maturity.

Notice of Redemption. When redemption is authorized or required, the Bond Registrar is required to give written notice to the respective Bondholders of any Current Interest 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 Current Interest Bonds or the cessation of accrual of interest from and after the redemption date.

Effect of Redemption. Interest on the Current Interest Bonds (or portions thereof) called for redemption will cease to accrue on the date fixed for redemption and such Current Interest Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Resolution and the Owners of such Current Interest 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 Bondholders 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 Current Interest Bond is called for redemption, then upon surrender of such Current Interest Bond the Bond Registrar will authenticate to the Bondholder thereof, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount equal to the unprepaid portion of the Current Interest Bond surrendered and of the same interest rate and the same maturity.

Scheduled Debt Service on The Bonds

The following is the scheduled Debt Service on the Bonds.

Bond Year Ending	Principal	Interest	Compound Interest	Annual Debt Service
August 1, 2005	$ -	$ 2,138,025.68	$ -	$ 2,138,025.68
August 1, 2006	-	2,882,731.26	-	2,882,731.26
August 1, 2007	-	2,882,731.26	-	2,882,731.26
August 1, 2008	705,000.00	2,882,731.26	-	3,587,731.26
August 1, 2009	1,325,000.00	2,865,106.26	-	4,190,106.26
August 1, 2010	1,935,000.00	2,830,325.00	-	4,765,325.00
August 1, 2011	2,390,000.00	2,772,275.00	-	5,162,275.00
August 1, 2012	2,875,000.00	2,694,600.00	-	5,569,600.00
August 1, 2013	3,395,000.00	2,593,975.00	-	5,988,975.00
August 1, 2014	3,945,000.00	2,475,150.00	-	6,420,150.00
August 1, 2015	2,872,777.60	2,277,900.00	1,712,222.40	6,862,900.00
August 1, 2016	2,891,897.90	2,277,900.00	2,138,102.10	7,307,900.00
August 1, 2017	2,814,648.90	2,277,900.00	2,680,351.10	7,772,900.00
August 1, 2018	2,903,969.50	2,277,900.00	3,071,030.50	8,252,900.00
August 1, 2019	2,976,787.80	2,277,900.00	3,478,212.20	8,732,900.00
August 1, 2020	3,045,487.20	2,277,900.00	3,914,512.80	9,237,900.00
August 1, 2021	3,107,697.15	2,277,900.00	4,377,302.85	9,762,900.00
August 1, 2022	3,088,568.00	2,277,900.00	4,751,432.00	10,117,900.00
August 1, 2023	3,070,767.00	2,277,900.00	5,144,233.00	10,492,900.00
August 1, 2024	3,048,474.60	2,277,900.00	5,546,525.40	10,872,900.00
August 1, 2025	3,027,177.30	2,277,900.00	5,967,822.70	11,272,900.00
August 1, 2026	8,156,162.40	2,277,900.00	1,238,837.60	11,672,900.00
August 1, 2027	10,170,000.00	1,918,087.50	-	12,088,087.50
August 1, 2028	11,095,000.00	1,435,012.50	-	12,530,012.50
August 1, 2029	18,160,000.00	908,000.00	-	19,068,000.00
Total	$96,999,415.35	$58,613,550.72	$44,020,584.65	$199,633,550.72

THE FINANCING PLAN

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	$ 96,999,415.35
Original Issue Premium	3,678,892.10
Available Funds	$100,678,307.45

Uses of Funds

Debt Service Fund [1]	$ 2,738,861.31
Building Fund	96,999,415.35
Underwriters' Discount	424,609.78
Bond Insurance [2]	315,421.01
Cost of Issuance [2]	200,000.00
Use of Funds	$100,678,307.45

(1) Interest on the Current Interest Bonds through and including August 1, 2005 will be paid from amounts deposited in the Debt Service Fund.

(2) Costs of issuing the Bonds will be paid out of original issue premium. Expenses include fees of Bond Counsel, the Financial Advisor, 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 adopted a Facilities Improvement Plan which identified 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 authorized $187 million in general obligation funding for the remodeling, new construction and renovations detailed in the Facilities Improvement Plan. Recently, the district adopted a Long Range Master plan that updated and expanded the Facilities Improvement Plan.

Projects to be funded with this third series of Bonds include construction costs for the modernization of facilities at Mar Vista High School, Mar Vista Middle School, Sweetwater High School, Chula Vista Middle School, Chula Vista High School, National City Middle School, Southwest Middle School, Southwest High School, Castle Park Middle School, Castle Park High School, Granger Junior High School, Hilltop High School, Hilltop Middle School, Bonita Vista High School, Bonita Vista Middle School, Montgomery Middle School, Montgomery High School, San Ysidro High School (new construction), Palomar Continuation High School, Eastlake High School, Montgomery Adult School in the total approximate amount of $97 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 Current Interest Bonds and Accreted Value of the Capital Appreciation 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 may cause the annual tax levy and tax rate to fluctuate.

Municipal Bond Insurance

Bond Insurance Policy
Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the Accreted Value) and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX E" to this Official Statement.

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

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

At June 30, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,212,545,000 and its total unearned premium reserve was approximately $1,501,280,000 in accordance with statutory accounting practices. At June 30, 2004, Financial Security's total shareholders' equity was approximately $2,438,206,000 and its total net unearned premium reserve was approximately $1,255,708,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

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

CONSTITUTIONAL LIMITATION ON TAXES AND EXPENDITURES

Article XIIIA

Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA 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 XIIIA 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 XIIIA, 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 XIIIA 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 XIIIA 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. In a Minute Order issued on November 2, 2001 in County of Orange v. Orange County Assessment Appeals Board No. 3, case No. 00CC03385, the Orange County Superior Court held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including San Diego County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On December 12, 2002, the Orange County Superior Court (the "Superior Court") certified the lawsuit as a class action. On January 30, 2003, the Superior Court held a hearing and ruled that the Orange County Tax Collector must notify the affected taxpayers of their right to file tax refund claims. Implementation of the motion is pending further review by the appellate courts on the entire case. On April 18, 2003, the Superior Court entered a Final Judgment which held that the current statewide practice of restoring property assessment, after a prior assessment reduction due to an economic downturn, based on the market value was invalid. On June 12, 2003, an appeal was filed with the Court of Appeal, Fourth District, Division Three. The Court of Appeal overturned the Superior Court's Final Judgment on March 26, 2004. The Plaintiffs filed an appeal with the California State Supreme Court and on July 21, 2004, the California State Supreme Court by a 5-2 vote decided not to hear an appeal. A petition for writ of certiorari could be filed with to the U.S. Supreme Court within the 90 days following July 21, 2004, but it is considered unlikely that such a petition would be granted.

The District cannot predict the outcome of the Orange County Litigation. Presently, the Court's ruling in the Orange County Litigation applies only to the assessments involved in the case. However, if the U.S. Supreme Court reverses the decision by the California Supreme Court and upholds the determination of the Superior Court and the holding is applicable statewide, the loss of tax revenues to communities throughout the State could be significant. The ruling creates the possibility that all taxing agencies, including the District, would be required to give refunds of the portion of tax collections which resulted from increases in assessed valuations at a rate greater than 2% per annum. The District has not computed the amount of taxes that might be subject to refund if the ruling of the Superior Court in the Orange County Litigation is upheld on appeal or what amount its tax collection would be lowered in future Fiscal Years, but does not believe that the outcome of the Orange County Litigation will adversely affect its ability to pay any of its obligations when due.

Article XIIIB

On October 6, 1979, California voters approved Proposition 4, or the Gann Initiative, which added Article XIIIB to the California Constitution. The principal thrust of Article XIIIB is to limit the annual appropriations of the State and any city, county, city 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 XIIIB 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 XIIIB 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 XIIIB. 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 XIIIA") 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 certain outstanding obligations of the District.

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 46

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

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 XIIIB 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 XIIIB limit to K-14 schools (see "Article XIIIB" 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 form 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 former California Governor Pete Wilson, among others. Five actions filed in the United State 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 *Phyler 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 XIIIC and XIIID 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, fess or changes; and, with the exception of the basic one percent ad valorem property tax levied and collected by the County pursuant to Article XIIIA 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 XIIIA, XIIIB, 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.

In connection with the shift of $2.6 billion of local agency revenues to school funding over the next two Fiscal Years, the Legislature and the Governor agreed to place Proposition 1A, entitled "Protection of Local Government Revenues," on the November 2, 2004 ballot ("Proposition 1A"). Proposition 1A would amend the California Constitution to restrict when property tax revenues could be shifted from cities, counties and special districts. In addition to Proposition 1A, an initiative entitled "Local Taxpayers & Public Safety Protection Act" has qualified for the November ballot. The initiative would require statewide voter approval on any bill passed by the Legislature adversely affecting primary revenue streams to local government, including property tax revenues. The District is unable to predict the likelihood of success or failure of these initiatives or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures or the impact such actions will have on State revenues available for education if both initiatives pass in November.

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 40,000 students. The District operates 10 middle schools, 1 junior high school, 11 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

Member	Office	Term Expires
Ms. Pearl Quinones	President	2004
Mr. Robert Griego	Vice-President	2004
Mr. Jim Cartmill	Member	2006
Mrs. Arlie N. Ricasa	Member	2006
Mr. Greg R. Sandoval	Member	2006

ADMINISTRATION

Dr. Edward M. Brand	Superintendent
Mr. Barry S. Dragon	Chief Financial Officer
Mr. Bruce A. Husson	Chief Operating Officer
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 Financial 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.

Mr. Barry S. Dragon, Chief Financial 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 76.4% of the district's 2004/05 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 1995/96 and 2003/04 with estimated for 2004/05. In Fiscal Year 1996/97, 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

Fiscal Year	Enrollment	Change	Average Daily Attendance*	Change	Funded Revenue Limit
1995/96	29,596	---	27,205	---	$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%	32,634	4.0%	$5,127
2001/02	37,208	5.3%	34,716	6.4%	$5,317
2002/03	38,138	2.5%	35,356	1.8%	$5,424
2003/04	38,710	1.5%	36,369	2.9%	$5,361
2004/05 (estimated)	39,525	2.1%	37,500	3.1%	$5,576

* Excluding excused absences.

District Employees

The District currently employs 2,301 certificated and 1,586 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 Certificated	Classified	Total
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
2001/02	2,385	1,512	3,897
2002/03	2,306	1,669	3,975
2003/04	2,253	1,566	3,819
2004/05	2,301	1,586	3,887

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 21, 2004, the District adopted its budget for Fiscal Year 2004/05. 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. Each of these revenue sources is described below.

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 2003/04, the District's base revenue limit per unit of ADA was $5,361. For Fiscal Year 2004/05, the District estimates that its revenue limit per unit of ADA will be $5,576.

Revenue limit sources account for 73% of total District revenues in both Fiscal Year 2003/04 and the 2004/05 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 2003/04 share of the property tax revenue in the County is approximately $42.6 million or 21.3% of the District's General Fund Revenue and is approximately $46.2 million or 21.6% of General Fund Revenue in Fiscal Year 2004/05 (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 58.7% of the District's General Fund Revenue for Fiscal Year 2003/04 and is budgeted to be 60.0% for Fiscal Year 2004/05.

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 6.8% of General Fund Sources in Fiscal Year 2003/04 and are budgeted to equal approximately 5.9% of such revenues in Fiscal Year 2004/05.

Other State Sources

In addition to apportionment revenue, the District receives substantial other State revenues ("Other State Sources"). In Fiscal Year 2003/04, including lottery revenues described below, Other State Sources are estimated to have accounted for approximately 8.9% of total General Fund Sources and in Fiscal Year 2004/05, Other State Sources are budgeted to equal approximately 6.6% 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 2003/04 were approximately $5.2 million which amounted to approximately 1.9% of total General Fund Sources. For Fiscal Year 2004/05, Lottery revenue is budgeted to be approximately $5.4 million, which also amounts to approximately 1.9% 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 3.9% of the total General Fund Sources in Fiscal Year 2003/04 and are budgeted at 4.0% of the total General Fund Sources in Fiscal Year 2004/05.

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." 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.

State Budgets

The State of California requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect appropriations made by legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's Fiscal Year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next Fiscal Year (the "Governor's Budget.") Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior Fiscal Years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to Fiscal Year, may also be provided by statute or State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Governor's 2004/05 Budget. Governor Schwarzenegger signed a $105.4 billion 2004/05 State Budget (the "2004/05 Budget") on July 31, 2004, addressing a State budget shortfall through program savings, borrowing, local government contributions and funding shifts. The 2004/05 Budget assumes 2004/05 revenues of $77.3 billion, expenditures of $78.8 billion and a year-end reserve of $678 million. Approximately $268 million of the reserve is designated for Proposition 98 and the remaining $410 million is designated for non-Proposition 98 purposes.

The 2004/05 Budget reduces funding for Proposition 98 (through a suspension of the minimum funding guarantee), higher education, corrections, state operations and social services programs. The Proposition 98 maintenance factor owed to schools and community colleges in future years as economic conditions are expected to improve is calculated at $3.6 billion. The 2004/05 Budget restores certain funding reductions proposed by the administration in the areas of higher education student financial aid and outreach programs, social services and state employee compensation. The 2004/05 Budget also assumes a diversion of $1.3 billion in revenues from local government in 2004/05 and in 2005/06.

The 2004/05 Budget includes $11.3 billion of the $15 billion in economic recovery bonds authorized by voters in March 2004, and it also includes borrowing related to pensions bonds, transportation and local governments. In addition, the 2004/05 Budget uses $1.2 billion in bond proceeds related to the newly-approved tribal gaming compacts to repay transportation loans made during 2004/05 which would otherwise be due in 2005/06.

With regard to K-12 school districts, the 2004/05 Budget assumes spending of $42.1 billion for Proposition 98 funding in 2004/05 and suspends the Proposition 98 minimum guarantee at a level approximately $2.1 billion less than otherwise required for 2004/05. On a per pupil basis, funding increased from $6,887 per pupil in 2003/04 to $7,007 in 2004/05. This decrease was significantly affected by the $259 million in one-time expenditures from 2003/04 funds that were not part of the 2003/04 Budget Act. Compared to the 2003/04 Budget Act level of $6,887 per pupil, 2004/05 ongoing per pupil expenditures have increased $120. Additionally, the 2004/05 Budget provides $560 million in one-time funds to meet the Proposition 98 obligations of prior years. Total General Fund allocations of $30.9 billion for K-12 education now represent 41.3 percent of the General Fund budget.

- **School Fiscal Conditions** – Although revenues from all sources available to schools in 2004/05 have increased by 3.95 percent over the 2003/04 level, school budgets will continue to operate under significant fiscal pressures. This is reflected in the steady increase in the number of school districts with qualified or negative certifications of their interim budget reports, rising from a total of 26 between 1995/96 and 2000/01, to 57 at the first interim report for 2003/04 and 45 at the second interim report. To improve school district budgeting, fiscal analysis and oversight of school fiscal conditions, the Governor signed AB 2756 (Chapter 52, Statutes of 2004) in order to improve access to emergency loans when districts become insolvent and to help prevent any future insolvencies.

- **Enrollment Growth** – The 2004/05 Budget reflects $508.5 million to provide enrollment growth increases for apportionments ($412.3 million), Special Education ($35.6 million), and other categorical programs ($60.6 million). This includes $10.3 million deferred to Fiscal Year 2005/06.

- **Cost-of-Living Adjustments ("COLAs")** – The 2004/05 Budget includes both statutory and discretionary growth and COLA to revenue limits of $866 million and most categorized programs of $366 million. In addition, provides $136 million for increase unemployment insurance costs.

- **Revenue Limits** – Revenue limit funding constitutes the basic funding source for classroom instruction. The 2004/05 Budget provides a net increase of over $1.2 billion to district and county office of education revenue limits. This includes funding for enrollment growth, a COLA adjustment, equalization, increases in the cost of unemployment insurance reimbursements and $270 million to reduce the deficit factor on base revenue limits from 1.2 percent to 0.3 percent. Total spending on revenue limits is approximately $30.3 billion.

- **Deferred Maintenance** – The 2004/05 Budget fully funds the deferred maintenance program by including $250.3 million for district deferred maintenance needs. This represents an increase of $173.3 million over the 2003/04 level.

- **Public Employees' Retirement System ("CalPERS") Offset** – The 2004/05 Budget reflects net reductions to district and county office revenue limits of $115.9 million to reflect savings provided by current CalPERS contribution rates. Included in this amount is over $36 million to local education agencies to mitigate the CalPERS offset to revenue limits, which provides additional general purpose revenues.

- **Instructional Materials** – The 2004/05 Budget includes $363 million in ongoing funding for instructional materials, representing an increase of $188 million over the previous Fiscal Year. Of this amount, $30 million is allocated on a one-time basis for the purchase of supplemental materials to help students, with a primary language other than English, quickly develop grade-level English language skills. Additionally, $138 million in one-time funds is appropriated for the purchase of state standards-aligned materials for schools ranked in deciles 1 and 2 of the Academic Performance Index.

- **Reading First** - The 2004/05 Budget includes $174.2 million federal funds for the Reading First Program, including $29.6 million from prior years.

- **Equalization** – The 2004/05 Budget includes $10 million for equalization of school district revenue limits. This closes 26 percent of the remaining gap of the targeted 90th percentile of the distribution of revenue limits.

- **Unemployment Insurance** – The 2004/05 Budget provides $136 million to fully fund the increase in local education agency unemployment insurance reimbursements..

- **Child Care and After-School Programs** – The 2004/05 Budget includes approximately $2.7 billion for subsidized child care, including $2.2 billion for programs in the Department of Education programs to provide services to approximately 375,200 children, including those of CalWORKs families and other low-income families in a variety of programs.

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

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

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

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

Proposition 55. The Kindergarten-University Public Education Facilities Bond Act of 2004 ("Proposition 55") appeared on the March 2, 2004 ballot as Proposition 55 and was approved by the California voters by a margin of 1.4%. This measure authorizes the sale and issuance of $12.3 billion in general obligation bonds for the construction and renovation of K-12 school facilities ($10 billion) and higher education facilities ($2.3 billion). Proposition 55 includes $5.26 billion for the acquisition of land and construction of new school buildings. A district would be required to pay for 50 percent of costs with local resources unless it qualifies for state hardship funding. The measure also provides that up to $300 million of these new construction funds is available for charter school facilities.

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

Ad Valorem Property Taxes

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

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

Fiscal Year	Total Secured	Unsecured	Total
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
2001/02	16,688,384,595	689,129,409	17,390,514,685
2002/03	18,637,621,607	747,228,217	19,384,849,824
2003/04	21,305,881,024	709,398,904	22,015,279,928
2004/05	24,416,104,786	704,834,150	25,120,938,936

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 District anticipates that their ad valorem tax rate after issuance of the Bonds will be $0.2692 in 2005/06.

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

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Chula Vista Elementary School	.02479	.02515	.02396	.02645	.02723	0.02811
Sweetwater Union High School District	.00000	.00000	.02527	.02196	.01956	0.01818
Otay Water District	.10000	.06000	.02000	.01500	.01400	0.01200
Metro Water District	.00890	.00880	.00770	.00670	.00610	0.00580
County Water Authority	.00100	.00091	.00083	.00075	.00067	0.00000
Southwestern Community College District	.00000	.00000	.01544	.01304	.00727	0.01301
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
	1.13469	1.09486	1.09320	1.08390	1.07483	1.07710

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 on to the extent of the amount of uncollected taxes credited to each find 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 entirely 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 2003/04 tax roll are as shown in Table No. 5.

TABLE NO. 5
SWEETWATER UNION HIGH SCHOOL DISTRICT
LARGEST TAXPAYERS

	Property Owner	Primary Land Use	Assessed Valuation	Total [1]
1.	ROHR, Inc.	Industrial	$ 184,925,662	0.88%
2.	Plaza Bonita LLC	Shopping Center	119,614,742	0.57
3.	BRE Properties Inc.	Apartments	74,639,112	0.35
4.	Duke Energy South Bay	Power Plant	73,100,000	0.35
5.	Corrections Corp. of America	Correctional Facility	72,575,868	0.35
6.	SSR Realty Advisors/CALSTRS	Apartments	67,773,900	0.32
7.	International Gateway I LLC	Commercial	67,298,607	0.32
8.	CV Center LLC	Shopping Center	63,224,180	0.32
9.	Kaiser Foundation Health Plan Inc.	Medical Building	58,045,536	0.30
10.	Eagle Lomas Verdes LP	Apartments	52,715,000	0.28
11.	Sharp Chula Vista Medical Center	Medical Building	43,901,255	0.25
12.	Camden USA Inc.	Apartments	42,760,360	0.21
13.	MGI Sunbow LP	Apartments	41,086,795	0.20
14.	Brookfield Shea Otay LLC	Residential Properties	35,069,738	0.20
15.	Sanyo North America Corp.	Industrial	32,630,734	0.17
16.	JMIR-Otay Multifamily LLC	Apartments	30,468,140	0.16
17.	Siempre Viva Business Park	Industrial	30,209,556	0.14
18.	Vons Companies Inc.	Commercial Store	30,005,534	0.14
19.	Landing Apartments LP	Apartments	29,410,000	0.14
20.	Wal-Mart Stores Inc.	Commercial Store	27,531,859	0.13
			$1,176,986,578	5.60%

[1] 2003/04 Local Secured Assessed Valuation: $21,031,061,718.

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 2004/05, the District has 2,301 certificated employees and 1,586 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 2003 was $1,361,633 and the STRS contribution for 2003 was $12,404,816.

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, 244 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 2003, expenditures of $1,138,210 were recognized for retirees' health care benefits.

The District offered a classified and certificated retirement incentive program for employees that retired between July 1, 1998, and June 30, 1999. 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 $812,500 for the year 2003.

The approximate accumulated future liability for post-employment benefits for the District at June 30, 2003, was $4,362,042.

Employee Relations and Collective Bargaining

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

Bargaining Unit	Agent	Expiration Date
Certificated employees	Sweetwater Education Association	June 30, 2005
Classified employees	California School Employees Association	June 30, 2005
Supervisors	NAGE	June 30, 2006

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, commercial crime, general and auto liability, employment practices and professional liability, uninsured and underinsured motorists, auto physical damage, and workers' compensation. Coverage is comparable with insurance maintained by similar school districts.

Real and personal property coverage is for direct physical loss or damage to real or personal property and is subject to a coverage limit of $200,000,000 per occurrence. The District's deductible for real property losses is $10,000 per occurrence and for theft and vandalism to personal property is $500 per occurrence. A $100,000 self-insured retention applies to each occurrence prior to any payments by the JPA insurance carriers. The primary insurance carrier is Hartford Insurance Company.

General, professional, and auto liability coverage applies to claims presented against the District, employees, Board members, agents, and authorized volunteers while performing services for the District. The District has a $10,000 deductible that is collected once claims payments have reached the deductible or the file closes. A $250,000 self-insured retention applies before any payments are made by the JPA insurance carrier. The primary insurance carrier is American International Group (AIG) Insurance Company of the State of Pennsylvania, a subsidiary of AIG.

Employment practices liability coverage applies to claims presented by District employees against the District, employees, Board members, agents, and authorized volunteers while performing services for the District. The District has a $10,000 deductible that is collected once claims payments have reached the deductible or the file closes. A $500,000 self-insured retention applies before any payments are made by the JPA insurance carrier. Employment practices liability coverage is subject to an annual $5,000,000 aggregate. The primary insurance carrier is American International Group (AIG) Insurance Company of the State of Pennsylvania, a subsidiary of AIG.

Commercial Crime coverage applies to employee theft, computer fraud, depositor's forgery or alteration, lack of employee faithful performance, and theft, disappearance and destruction of property. This coverage applies to money and securities and includes a general blanket employee bond of $1,000,000. Limit of insurance is $1,000,000 per claim and is subject to a District deductible of $1,000. No self-insured retention applies. The primary insurance carrier is Hartford Insurance Company.

Uninsured/Underinsured motorists coverage is $60,000 per occurrence with a District deductible of $1,000. The JPA is fully self-insured for this coverage.

School Excess Liability Fund's (SELF) liability coverage applies excess of the general, professional, auto, and employment practices $1,000,000 primary layer of coverage. SELF's coverage limits are $14,000,000 excess the $1,000,000 primary coverage bringing the District's total liability coverage to $15,000,000 per occurrence.

Capital Plan

The District has identified a capital facilities need of $815 million over the next 20 years to alleviate overcrowding, renovate and modernize exiting facilities and upgrade technology. In addition, the District anticipates receiving over $130 million in state matching funds to be directed toward this effort. 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. The first series of general obligation bonds in the principal amount of $38 million were issued in March, 2001 and the second series of $52 million were issued in July, 2003. The Bonds are the third and final series.

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 $.19 per square foot of habitable space on domestic housing and $1.92 per square foot on commercial/industrial developments (with the exception of new construction located in San Ysidro, where rates are $1.23 for residential construction and $.14 for commercial/industrial development). These square-foot amounts are adjusted periodically by the State for inflation.

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.

Government-wide Financial Statements

Government-wide financial statements display information about the District as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discreetly presented component units, if any. Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Under the accrual basis of accounting, revenues, expenses, gains and losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the transaction takes place.

Program revenues include charges for services, special assessments and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than reported as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

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.

Governmental Funds. The *modified accrual basis of accounting* is used by all governmental fund types, expendable trust funds and agency funds. Such governmental funds are presented using the *current financial resources measurement focus*. Under the current financial resources measurement focus, 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. 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. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The District retained the firm of Nigro Nigro & White, LLP, Certified Public Accountants, San Diego, California, to examine the general purpose financial statements of the District as of and for the year ended June 30, 2003. Table Nos. 6 and 7 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, 2000 through June 30, 2003 with unaudited information for Fiscal Year ending June 30, 2004. The audited financial statements for Fiscal Year ended June 30, 2003 are attached hereto as "APPENDIX B."

GASB No. 34. The Governmental Accounting Standards Board (GASB) published its Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, comptrollers, and financial officers on requirements for financial reporting for all governmental agencies in the United States.

The District was required to implement the provision of GASB No. 34 for the Fiscal Year ending June 30, 2002.

TABLE NO. 6
SWEETWATER UNION HIGH SCHOOL DISTRICT
GENERAL FUND
BALANCE SHEET
For the Fiscal Year Ended June 30

	2000	2001	2002	2003	2004*
ASSETS					
Cash and Investments	$28,207,097	$27,380,467	$28,567,635	$12,940,790	$10,801,392
Accounts Receivable	6,994,652	8,432,274	11,539,597	25,700,723	18,747,498
Due from other funds	4,157,758	6,758,207	3,888,136	5,479,853	3,984,436
Stores inventory	452,794	307,589	338,177	231,666	223,104
Total Assets	$39,812,301	$42,878,537	$44,333,545	$44,353,032	$33,756,430
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	$ 9,920,098	$ 8,031,625	$ 5,268,386	$ 8,053,531	$ 5,617,244
Due to other funds	4,992,040	4,457,535	3,887,954	5,196,634	3,534,780
Deferred revenue	6,187,971	5,159,758	5,008,570	4,959,106	4,487,018
Total Liabilities	$21,100,109	$17,648,918	$14,164,910	$18,209,271	$13,639,042
FUND EQUITY					
Reserved	477,794	31,7339	338,177	231,666	223,104
Restricted	-	9,771,252	-	-	-
Categorical programs	-	-	-	6,356,197	2,621,999
Revolving cash	-	-	9,750	9,750	9,750
Unreserved					
Designated	12,670,581	10,033,359	7,993,047	8,224,582	5,036,107
Undesignated	5,563,817	5,107,669	21,827,661	11,321,566	12,226,428
Total Fund Equity	18,712,192	25,229,619	30,168,635	26,143,761	20,117,388
Total Liabilities and Fund Equity	$39,812,301	$42,878,537	$44,333,545	$44,353,032	$33,756,430

* Unaudited.

Source: Sweetwater Union High School District Annual Financial Report.

TABLE NO. 7
SWEETWATER UNION HIGH SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year ended June 30

	2000	2001	2002	2003	2004*
REVENUES					
Revenue Limit Sources					
State Apportionment	$100,460,526	$117,902,421	$130,076,676	$130,141,620	$125,555,323
Local sources	47,349,201	53,355,900	61,603,502	69,626,322	76,469,014
Total Revenue Limit Sources	147,809,727	171,258,321	191,680,178	199,767,942	202,024,337
Federal revenues	11,833,287	13,417,453	15,310,713	18,028,804	18,390,554
Other state revenues	37,375,095	51,973,672	34,785,809	29,741,942	26,899,349
Other local revenues	6,211,365	7,187,994	28,044,671	22,235,160	24,806,746
Tuition and transfers	507,635	-	-	-	-
Total Revenues	$203,737,109	$243,837,440	$269,821,371	$269,773,848	$272,120,986
EXPENDITURES					
Current Expenditures					
Certificated salaries	$103,939,017	$122,918,150	$136,106,548	$139,108,273	$141,850,629
Classified salaries	32,221,034	38,175,752	42,265,780	47,123,781	47,545,425
Employee benefits	25,857,677	31,003,984	38,819,722	43,085,755	47,697,885
Books and supplies	10,647,956	12,434,228	19,181,535	16,328,240	17,001,054
Services and other operating expenditures	15,953,751	18,103,563	19,929,977	23,140,371	21,194,798
Other outgo	3,081,663	4,351,698	2,875,045	525,639	1,185,265
Capital outlay	6,919,982	6,273,004	274,656	167,074	164,290
Direct support /indirect costs	-	(799,822)	-	(673,248)	(814,955)
Debt service - interest and other	1,286,500	-	-	-	-
Total Expenditures	$199,907,580	$232,460,557	$259,453,263	$268,805,885	$275,824,391
EXCESS OF REVENUES OVER EXPENDITURES	$ 3,829,529	$ 11,376,883	$ 10,368,108	$ 967,963	($ 3,703,405)
OTHER FINANCING RESOURCES/(USES)					
Operating transfers in	$ 50,000	$ -	$ -	$ 260,832	$ -
Operating transfers out	(3,401,607)	(4,334,604)	(4,879,641)	(5,346,853)	(2,322,962)
Debt service	-	(810,600)	(549,341)	93184	-
Other sources	845,355	285,748	(110)	-	-
Total Other Financing Sources/(Uses)	($ 2,506,252)	($ 4,859,456)	($ 5,429,092)	($ 4,992,837)	($ 2,322,962)
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	1,323,277	6,517,427	4,939,016	(4,024,874)	(6,026,367)
FUND BALANCE, BEGINNING OF YEAR	$ 17,388,915	$ 18,712,192	$ 25,229,619	$ 30,168,635	$ 26,143,762
FUND BALANCE, END OF YEAR	$ 18,712,192	$ 25,229,619	$ 30,168,635	$ 26,143,761	$ 20,117,395

* Unaudited.

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 the Financial Advisor, Disclosure Counsel or the Underwriters. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

In accordance with Government Code Section 53600 et seq., the 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 August 31, 2004, the securities in the Treasury Pool had a market value of $3,648,991,298 and a book value of $3,663,676,804, for a net unrealized loss of 0.4% of the book value of the Treasury Pool, or $14,685,506. As of August 31, 2004, the weighted average maturity of the Pool portfolio was approximately 400 days.

The duration for the Treasury Pool was 0.907 years as of August 31, 2004. "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 0.907 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.907%.

As of August 31, 2004, approximately 3.4% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 5.9% by community colleges, 32.6% by the County, and 53.8% by K-12 school districts. The balance of funds in the Pool were taxes pending apportionment to various agencies.

In 2001, Standard & Poor's rated the Pool's ability to meet its financial commitments "AAA" (long-term) and "S1 +" (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 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities 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 August 31, 2004. 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 August 31, 2004, the Pool necessarily would have received the values specified.

SAN DIEGO COUNTY INVESTMENT POOL PORTFOLIO INFORMATION
AS OF AUGUST 31, 2004

	Percent of Portfolio	Book Value	Market Price	Accrued Interest	Market Value	Unrealized Gain/Loss	Yield To Maturity	Weighted Average Days To Maturity
US Treasury Notes	2.71%	$ 99,462,069	98.91%	$ 631,148	$ 98,906,250	($ 555,819)	2.06%	577
Federal Farm Credit Bank Notes	11.92	439,000,000	99.10	3,116,544	435,052,135	(3,947,865)	2.31	717
Federal Home Loan Bank Notes	12.41	455,939,317	99.30	2,292,778	452,763,083	(3,176,234)	2.41	708
Federal National Mortgage Assoc. Notes	11.87	435,684,737	99.45	2,579,564	433,291,841	(2,392,896)	2.29	652
Federal Home Loan Mortgage Corp. Notes	2.04	75,048,606	99.32	511,111	74,539,105	(509,501)	2.26	575
Corporate Medium Term Notes	4.83	175,785,566	100.75	1,465,417	176,316,468	530,902	2.49	640
Asset Backed Notes	1.63	59,520,837	99.36	351,646	59,617,190	96,353	2.90	752
Money Market Funds	0.44	16,200,000	100.00	76,914	16,200,000	0	1.33	1
Repurchase Agreements	4.80	175,000,000	100.00	7,915	175,000,000	0	1.63	1
Negotiable Certificates of Deposit	26.61	975,031,616	99.60	4,252,862	971,120,650	(3,910,966)	1.58	248
Commercial Paper	20.71	756,612,056	99.74	0	755,792,577	(819,479)	1.40	36
Collateralized Certificates of Deposit	0.01	392,000	100.00	224	392,000	0	2.12	260
Totals for August 2004	100.00%	$3,663,676,804	99.56%	$15,286,123	$3,648,991,298	($14,685,506)	1.91%	400
Totals for July 2004	100.00%	$3,709,220,694	99.32%	$14,641,555	$3,685,373,685	($23,847,009)	1.80%	392
Change From Prior Month		($ 45,543,890)	0.24%		($ 36,382,387)	$ 9,161,503	0.11%	8
Overall Portfolio Effective Duration		0.907 years						

	August 2004 Return	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.155%	1.820%	1.930%	1.646%	1.089%	1.629%
Market Value	0.405%	4.770%	1.504%	1.283%	0.983%	1.470%

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

DEBT STRUCTURE

Outstanding Indebtedness of the District

The District had outstanding indebtedness as of June 30, 2004 as shown in Table No. 8.

TABLE NO. 8
SWEETWATER UNION HIGH SCHOOL DISTRICT
OUTSTANDING INDEBTEDNESS
AS OF JUNE 30, 2004

Category of Indebtedness	Original Issue	Amount Outstanding	Final Maturity
(1) General Obligation Bonds, Series A	$38,000,000	$33,225,000	2025
(1) General Obligation Bonds, Series B	52,000,000	52,000,000	2028
(2) 1997 Certificates of Participation	5,185,000	3,360,000	2010
(3) 2000 Certificates of Participation	21,700,000	17,050,000	2013
(4) 2001 Certificates of Participation	42,875,000	42,360,000	2025
(5) 2002 Certificates of Participation	55,940,000	54,190,000	2027
(6) 2003 Certificates of Participation	23,700,000	23,700,000	2015
(7) Capital Leases	N/A	184,173	2005
(8) 1997 Special Tax Bonds	19,250,000	18,600,000	2022
(9) Postemployment benefits	N/A	4,361,042	Indefinite
(10) Accumulated Vacation	N/A	4,483,285	Indefinite

(1) The District issued General Obligation Bonds in March 2001 and June 2003 secured by ad valorem property taxes District-wide. The Bonds are the third series of General Obligation Bonds to be issued by the District.

(2) 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.

(3) The 2000 Certificates are payable from lease payments due under a lease agreement pursuant to a lease of the District's Montgomery High School. The 2000 Certificates 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 Certificates mature in 2013.

(4) The 2001 Certificates are payable from Special Taxes from all Community Facilities Districts pursuant to a Pledge Agreement, and to the extent necessary, from lease payments due under a lease agreement pursuant to a lease of the District's High School No. 12. The amounts due under the Pledge Agreement with respect to the 2001 Certificates are payable on a parity with the amounts due under the Pledge Agreement with respect to the 2002 Certificates and the 2003 Certificates described below. In addition, the amounts due under the Pledge Agreement are payable on a parity with the lien on Special Taxes of the 1997 Special Tax Bonds.

(5) The 2002 Certificates are payable from Special Taxes from all Community Facilities Districts pursuant to the Pledge Agreement, and to the extent necessary, from lease payments due under a lease agreement pursuant to a lease of the District's Mar Vista High School, Bonita Vista High School and Chula Vista Middle School. The amounts due under the Pledge Agreement with respect to the 2002 Certificates are payable on a parity with the amounts due under the Pledge Agreement with respect to the 2001 Certificates and the 2003 Certificates described below. In addition, the amounts due under the Pledge Agreement are payable on a parity with the lien on Special Taxes of the 1997 Special Tax Bonds.

(6) The 2003 Certificates are also payable from Special Taxes from all Community Facilities Districts pursuant to the Pledge Agreement, and to the extent necessary, from lease payments due under a lease agreement pursuant to a lease of the District's Eastlake High School. The amounts due under the Pledge Agreement with respect to the 2003 Certificates are payable on a parity with the amounts due under the Pledge Agreement with respect to the 2001 Certificates and the 2002 Certificates. In addition, the amounts due under the Pledge Agreement are payable on a parity with the lien on Special Taxes of the 1997 Special Tax Bonds.

(7) The Capital Leases are payable from under various lease agreements for buses.

(8) 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.

(9) Represents that portion of postretirement benefits not expected to be paid during the current Fiscal Year.

(10) Represents that portion of accumulated leave not expected to be paid during the current Fiscal Year.

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 June 1, 2004. 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. 9
SWEETWATER UNION HIGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT

2003/04 Assessed Valuation:	$22,015,279,928
Redevelopment Incremental Valuation:	1,816,944,398
Adjusted Assessed Valuation:	$20,198,335,530

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/04	
Metropolitan Water District	1.588%	$ 7,105,903	
Otay Municipal Water District, Improvement District No. 27	100.	10,305,000	
San Diego Community College District	0.004	3,747	
Southwestern Community College District	83.763	32,211,062	
Sweetwater Union High School District	100.	85,225,000	(1)
Chula Vista City School District	100.	75,510,000	
San Ysidro School District	100.	18,780,000	
South Bay Union School District	100.	7,156,918	
City of National City	100.	6,000,000	
City of San Diego	3.917	563,656	
San Diego Open Space Park District	3.917	1,229,350	
Y/S School Facilities Financing Authority Sweetwater Project	100.	138,850,000	
Y/S School Facilities Financing Authority Chula Vista School Project	100.	8,170,000	
City of Chula Vista Community Facilities Districts	100.	172,310,000	
City of Chula Vista 1915 Act Bonds	100.	53,160,000	
Other Cities 1915 Act Bonds	37.071-100.	25,747,089	
TOTAL GROSS DIRECT & OVERLAPPING TAX AND ASSESSMENT DEBT		$ 642,327,725	
Less: City of San Diego Open Space Park District self-supporting bonds		1,229,350	
TOTAL NET DIRECT & OVERLAPPING TAX AND ASSESSMENT DEBT		$ 641,098,375	

(1) Excludes general obligation bonds to be sold.

(Continued on next page.)

(Continued from previous page.)

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:	% Applicable	Debt 6/1/04
San Diego County General Fund Obligations	8.767%	$ 38,149,161
San Diego County Pension Obligations	8.767	71,430,448
San Diego County Superintendent of Schools Certificates of Participation	8.767	182,134
Otay Municipal Water District Certificates of Participation	68.379	17,354,590
Southwestern Community College District General Fund Obligations	83.763	2,575,712
Sweetwater Union High School District Certificates of Participation	**100.**	**20,410,000**
Chula Vista City School District Certificates of Participation	100.	89,495,000
San Ysidro School District Certificates of Participation	100.	9,655,000
South Bay Union School District Certificates of Participation	100.	3,415,000
City of Chula Vista Certificates of Participation	100.	92,920,000
City of Chula Vista Pension Obligations	100.	12,755,445
City of National City Certificates of Participation	100.	5,150,000
City of San Diego General Fund Obligations	3.917	20,910,513
San Miguel Consolidated Fire Protection District Certificates of Participation	0.324	32,416
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 384,435,419
Less: Otay Municipal Water District Certificates of Participation		17,354,590
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 367,080,829
GROSS COMBINED TOTAL DEBT		$1,026,763,144 (2)
NET COMBINED TOTAL DEBT		$1,008,179,204

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

Ratios to 2003/04 Assessed Valuation:

Direct Debt ($85,225,000).. 0.39%
Total Gross Overlapping Tax and Assessment Debt....... 2.92%
Total Net Overlapping Tax and Assessment Debt........... 2.91%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ($105,635,000) 0.52%
Gross Combined Total Debt 5.08%
Net Combined Total Debt.. 4.99%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: $1,594,673

Source: California Municipal Statistics, Inc.

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 Burke, Williams & Sorensen, LLP as 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 and Accreted Value 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 and Accreted Value on the Bonds are not specific items of tax preference for purposes of the Code's alternative minimum tax provisions. However, interest or Accreted Value 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 and Accreted Value 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 or Accreted Value 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 or Accreted Value 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 or Accreted Value 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 or Accreted Value 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 or Accreted Value 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 or Accreted Value 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 Bondholder.

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 and Moody's 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 Financial Security Assurance Inc. In addition, Standard & Poor's and Moody's have assigned their underlying municipal bond ratings of "A+" and "A2" respectively to the Bonds, notwithstanding the delivery of the Municipal Bond Insurance Policy. 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 Financial Services Inc. and Estrada Hinojosa & Company Inc. (the "Underwriters"), are offering the Bonds at the yields and prices set forth on the inside front 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 Underwriters have purchased the Bonds at a price equal to $100,253,697.67, which amount represents the principal amount of the Bonds, plus an original issue premium of $3,678,892.10 and less an Underwriters' discount of $424,609.78. The Underwriters will pay certain of their expenses relating to the offering and will pay costs of issuance and bond insurance premium out of the original issue premium.

The Financial Advisor

The material contained in this Official Statement was prepared by the District with the assistance of the Financial Advisor, 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 from sources which are believed to be reliable, but such information is not guaranteed by the Financial Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Financial Advisor are contingent upon the sale and delivery of the Bonds.

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, 2005 and to provide the audited General Purpose Financial Statements of the District for the Fiscal Year ending June 30, 2004 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.

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 theses documents are available for inspection during the period of initial offering on the Bonds at the offices of the Financial Advisor and may be obtained after delivery of the Bonds from the District through the Chief Financial 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: /s/ Dr. Edward M. Brand
Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINION

[To be dated the closing date]

Board of Supervisors
County of San Diego

Board of Trustees
Sweetwater Union High School District

Re: Sweetwater Union High School District
Election of 2000
General Obligation Bonds, Series C

Members of the Board of Supervisors and the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $96,999,415.35 Sweetwater Union High School District Election of 2000 General Obligation Bonds, Series C (the "Bonds"). The Bonds consist of $63,570,000.00 aggregate principal amount of current interest bonds and $33,429,415.35 aggregate initial principal (denominational) amount of capital appreciation 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 and accreted value 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 and accreted value 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 and accreted value on the Bonds 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 accreted value 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 accreted value 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 accreted value 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, the Resolutions and the Tax Certificate and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors' rights heretofore or hereafter enacted, to the application of equitable principles, to exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California.

Respectfully submitted,

BEST BEST & KRIEGER LLP

APPENDIX B
DISTRICT AUDITED FINANCIAL STATEMENTS

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NIGRO NIGRO & WHITE, LLP

Certified Public Accountants

ro, CPA
th Nigro, CPA
White, CPA

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Enterprise
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(909) 698-8783
(909) 698-8163

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sweetwater Union High School District, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Sweetwater Union High School 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sweetwater Union High School District as of June 30, 2003, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11 and Budgetary Comparison Schedule on page 45 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2003 on our consideration of the Sweetwater Union High School District's internal control over financial reporting and 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 considering the results of our audit.

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

Nigro Nigro & White

San Diego, California
November 14, 2003

SWEETWATER UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (*Unaudited*)
June 30, 2003

This Management Discussion and Analysis should be read in conjunction with the District's financial statements (including notes and supplementary information), which begin on page 12. This section of Sweetwater Union High School District's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2003.

FINANCIAL HIGHLIGHTS

- The District's financial condition improved overall with the investment of Measure BB general obligation bonds and Community Facilities District (CFD) special tax revenue bonds in capital assets, approximately $72 million. Government-wide net assets increased $32.5 million.
- General Fund revenues were $269,773,848, less than expenses by $4,024,874.
- The total cost of basic general education programs rose 4.5% to $271,054,765 in the General Fund.
- Sweetwater High, Mar Vista High and Chula Vista Middle School completed much-needed modernization this year, adding $23,275,855 in new classrooms, multi-purpose rooms, equipment and furniture. These projects were funded by Measure BB general obligation bond proceeds.
- San Ysidro High School was opened thereby expanding the District's school housing capacity. Otay Ranch High and Eastlake Middle schools were under construction during the year. The costs were financed by both CFD bond proceeds and state construction aid.
- Grades 7-12 average daily attendance (ADA) increased by 674 or 1.9%, compared to a 2.3% increase in the prior year. Adult education ADA increased by 276 or 4.2%.
- The District increased its outstanding long-term debt $81.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Sweetwater Union High School District's Annual Financial Report

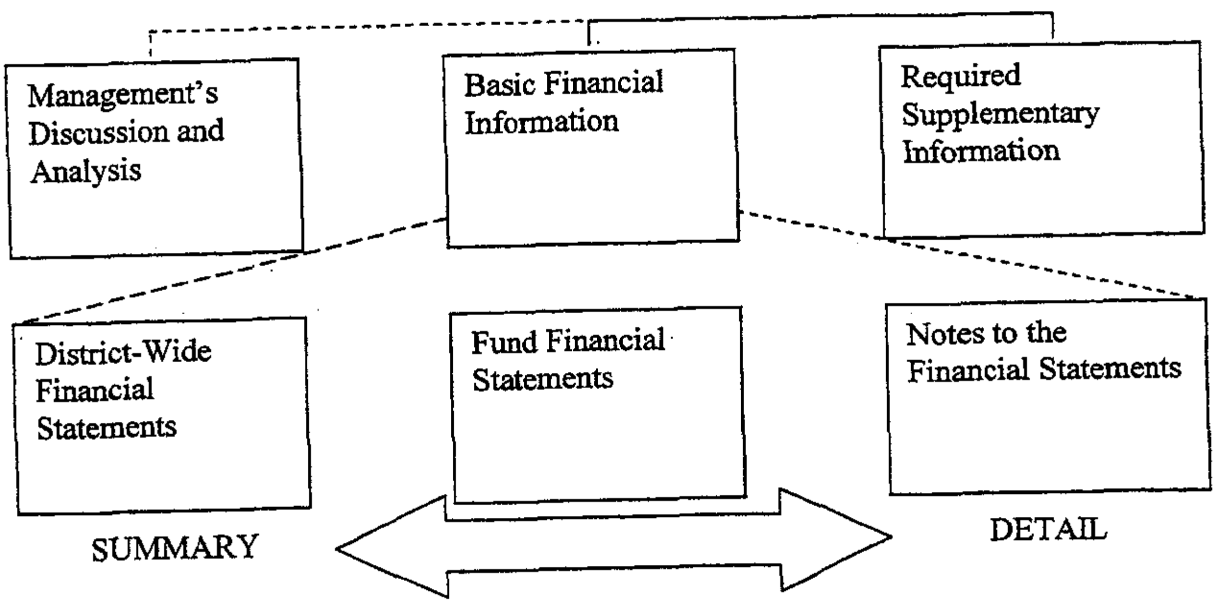

Figure A-2 on the next page summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether it's financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financials statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

The District has two kinds of funds:

Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the

Fund Financial Statements (continued)

additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used *only for their intended purposes* and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were significantly larger on June 30, 2003, than they were the year before – increasing more than 21.1% to $169,667,544. (See Table A-1.)

Table A-1
Sweetwater Union High School District's Net Assets

	Governmental Activities		Total Percentage Change
	2002	**2003**	**2002-2003**
Current and other assets	$ 154,407,699	$ 200,395,120	29.8%
Capital assets	166,313,925	228,024,852	37.1%
Total assets	$ 320,721,624	$ 428,419,972	33.6%
Other liabilities	20,190,275	23,908,928	18.4%
Long-term debt outstanding	160,433,951	234,843,500	46.4%
Total liabilities	180,624,226	258,752,428	43.3%
Net assets			
Invested in capital assets, Net of related debt	80,151,394	105,889,485	32.1%
Restricted	73,433,785	55,221,734	(24.8%)
Unrestricted	(13,487,781)	11,556,325	304.6%
Total net assets	$ 140,097,398	$ 169,667,544	21.1%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

The District's improved financial position is the result of $62 million invested in capital improvements (net of depreciation expense).

Changes in net assets, governmental activities. The District's government-wide revenues increased 10% to $343 million. (See Table A-2) Increases on the property taxes and state formula aid combined with enrollment growth accounted for a majority of the added revenues.

The total cost of all programs and services rose 4.2% to $313 million. The District's expenses are predominantly related to educating and caring for students, 86%. The purely administrative activities of the District accounted for just 4.9% of total costs. The most significant contributor to the higher costs was personnel costs, which increased $25 million or 13%, due primarily to negotiated pay increases, annual anniversary pay increases, increase in staffing due to enrollment growth and the rise in health benefit premiums.

Table A-2
Changes in Sweetwater Union High School District's Net Assets

	Governmental Activities		Total Percentage Change
	2002	2003	2002-2003
Revenues	$ 311,499,755	$ 342,942,292	10.1%
Expenses	297,909,242	313,372,146	5.2%
Increase in net assets	$ 13,590,513	$ 29,570,146	117.6%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $179 million, well above last year's ending fund balance of $134 million. The District's general and special revenue funds had slightly more revenues than expenditures in 2003, but the capital projects funds had significantly more expenditures than revenues due to the heavy outlay of funds for construction projects.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Despite a depressed statewide economy, the District took decisive measures to ensure its ongoing financial health. This included effecting budget cuts of approximately $9 million as well as revenue enhancements of approximately $1 million. These were partially offset by capital investments in enterprise-wide student information software of $3 million. Budget reductions for the district were primarily centered on making "ongoing" reductions to the core expenditure base rather than one-time nonrecurring expenditure reductions. These efforts combined with freezes on discretionary spending and non-essential personnel have assisted in maintaining the District's overall fiscal health.

Over the course of the year, the District revised its annual operating budget several times. The major budget amendments fall into these categories:

- Revenues - increased by $30 million primarily as a result funding for new school construction and state funding for student growth.
- Salaries and benefits - increased over $17 million as a result of the rapid growth within the district and increase benefits costs and salary increases.
- Other non-capital expenses - increased $16 million as a result of carryover from state and federal programs.

While the District's final budget for the general fund anticipated revenues and expenditures would be roughly equal to a $26 million ending balance, the actual results for the year show a $4 million deficit. Actual revenues were $15 million lower than expected. The actual expenditures were $33 million below budget. While the budget does seem to reflect a $4 million deficit, this is the direct result of the liquidation of various year-to-year carryover funds rather than a structural imbalance in the relationship between revenues and expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2003 the District had invested $228 million in a broad range of capital assets, including construction and/or modernization of San Ysidro High, Mar Vista High, Sweetwater High, and Chula Vista Middle. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year exceeded $2.9 million, additions to capital assets amounted to $65 million and $.5 million in work in progress was put into service.

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

Table A-3
Sweetwater Union High School District's Capital Assets

	Governmental Activities		Total Percentage Change
	2002	2003	2002-2003
Land	$ 26,001,791	$ 26,001,791	(0%)
Construction in progress	72,740,945	134,525,667	85%
Site improvements	5,221,200	5,764,718	10%
Buildings	98,845,023	100,107,295	1%
Equipment and furniture	8,840,217	9,925,331	1%
Total	$ 211,649,176	$ 276,324,802	30%

The geographical area encompassed by the Sweetwater Union High School District continues to see robust student enrollment growth which has grown steadily over the last two years – 10% since 2000. In response, the District is vigorously building and modernizing school facilities. The southern portion of the county has continued to be seen and demonstrated population growth potential. The District in response to this unprecedented growth has undertaken a massive new construction, as well as modernization program potentially investing well over $700 million in new and older facilities over the next ten years.

Sweetwater Union High School District's student enrollment has grown steadily over the last two years -- 10% since 2000. In response, the District is vigorously building and modernizing school facilities.

The District's fiscal year 2003 capital budget projects spent another $66 million for capital projects, principally in these areas:

- Otay Ranch High – new construction
- Eastlake Middle – new construction
- Mar Vista High – modernization
- Sweetwater High – modernization
- Chula Vista High – modernization

Long-Term Debt

At year-end the District had $235 million in general obligation bonds, special tax revenue bonds, certificates of participation, capital leases and employment benefits – an increase of 46% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table A-4
Sweetwater Union High School District's Long-Term Debt

	Total School District		Total Percentage Change
	2002	2003	2002-2003
General obligation bonds	$ 38,000,000	$ 36,115,000	(5%)
Special tax revenue bonds	87,790,000	165,685,000	88%
Certificates of participation	25,935,000	24,015,000	(32%)
Capital leases	269,798	184,173	(32%)
Other	8,439,153	8,844,327	(5%)
Total	$ 160,433,951	$ 234,843,500	46%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was not aware of any circumstances that could significantly affect its financial health in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at 619-691-5550.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Statement of Net Assets
As of June 30, 2003

		Total Governmental Activities
ASSETS		
Cash	$	169,977,966
Accounts receivable		30,035,066
Prepaid expenses		8,612
Inventories		373,476
Capital assets:		
Land		26,001,791
Improvement of sites		5,764,718
Buildings		100,107,295
Furniture and equipment		9,925,331
Work in progress		134,525,667
Less accumulated depreciation		(48,299,950)
Total capital assets, net of depreciation		228,024,852
Total assets	$	428,419,972
LIABILITIES		
Accounts payable and current liabilities	$	18,772,438
Deferred revenues		5,136,490
Long-term liabilities:		
Portion due or payable within one year:		
General obligation bonds payable		2,890,000
Special tax revenue bonds payable		3,710,000
Certificates of participation payable		2,000,000
Postretirement benefits payables		1,160,556
Capital leases payable		89,862
Portion due or payable after one year:		
General obligation bonds payable		33,225,000
Special tax revenue bonds payable		161,975,000
Certificates of participation payable		22,015,000
Compensated absences payable		4,483,285
Postretirement benefits payables		3,200,486
Capital leases payable		94,311
Total liabilities		258,752,428
NET ASSETS		
Invested in capital assets, net of related debt		105,889,485
Restricted for:		
Debt service		4,293,502
Capital projects		41,572,035
Categorical programs		6,356,197
Unrestricted		11,556,325
Total Net Assets	$	169,667,544

The notes to the financial statements are an integral part of this statement.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Instructional Services:					
Instruction	$ 161,249,106	$ 2,205,737	$ 39,443,648	$ 24,108,356	$ (95,491,365)
Instruction-Related Services:					
Supervision of instruction	10,370,921	214,474	4,993,500	-	(5,162,947)
Instructional library, media and technology	4,961,904	3,193	956,055	-	(4,002,656)
School site administration	26,362,812	525	3,425,132	-	(22,937,155)
Pupil Support Services:					
Home-to-school transportation	7,277,193	340,160	2,568,107	-	(4,368,926)
Food services	7,038,697	2,105,959	4,765,405	-	(167,333)
All other pupil services	17,844,509	4,690	3,760,857	-	(14,078,962)
General Administration Services:					
Data processing services	2,511,416	-	-	-	(2,511,416)
Other general administration	12,769,464	80,147	2,667,596	-	(10,021,721)
Plant services	26,221,426	-	1,252,483	-	(24,968,943)
Ancillary services	22,432,997	444,747	18,665,021	-	(3,323,229)
Community services	307,516	-	-	-	(307,516)
Enterprise activities	511,099	-	-	-	(511,099)
Interest on long-term debt	10,855,987	-	-	-	(10,855,987)
Other outgo	446,518	-	702,570	-	256,052
Depreciation (unallocated)	2,210,581	-	-	-	(2,210,581)
Total Governmental Activities	$ 313,372,146	$ 5,399,632	$ 83,200,374	$ 24,108,356	$ (200,663,784)

General Revenues:	
Taxes:	
Property taxes, levied for general purposes	64,133,838
Property taxes, levied for debt service	77,765
Property taxes, levied for specific purposes	15,286,367
Federal and state aid not restricted to specific purpose	136,356,346
Interest and investment earnings	4,138,561
Miscellaneous	10,241,053
Total general revenues	230,233,930
Change in net assets	29,570,146
Net assets – July 1, 2002, as originally stated	135,266,886
Adjustments for restatement	4,830,512
Net assets - July 1, 2002, as restated	140,097,398
Net assets - June 30, 2003	$ 169,667,544

The notes to the financial statements are an integral part of this statement.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Balance Sheet – Governmental Funds
As of June 30, 2003

	General Fund	Building Fund	Special Reserve Fund For Capital Projects	County School Facilities Fund	Community Facilities District	Other Funds	Total Governmental Funds
ASSETS							
Cash	$ 12,940,790	$ 14,274,831	$ 11,320,943	$ 25,296,913	$ 92,379,748	$ 13,764,741	$ 169,977,966
Accounts receivable	25,700,723	250,160	1,886,479	82,433	-	2,115,271	30,035,066
Due from other funds	5,479,853	37,849	2,794,370	2,331,545	-	2,650,363	13,293,980
Inventories	231,666	-	-	-	-	141,810	373,476
Prepaids	-	-	-	-	-	8,612	8,612
Total Assets	$ 44,353,032	$ 14,562,840	$ 16,001,792	$ 27,710,891	$ 92,379,748	$ 18,680,797	$ 213,689,100
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	$ 8,053,531	$ 726,376	$ 9,990	$ 6,104,131	$ -	$ 496,566	$ 15,390,594
Due to other funds	5,196,634	2,302,406	2,259,139	2,597	-	3,533,204	13,293,980
Deferred revenue	4,959,106	-	-	-	-	177,383	5,136,489
Total Liabilities	18,209,271	3,028,782	2,269,129	6,106,728	-	4,207,153	33,821,063
FUND BALANCE							
Reserved for:							
Inventories	231,666	-	-	-	-	141,810	373,476
Prepaid expenditures						8,612	8,612
Categorical programs	6,356,197	-	-	-	-	-	6,356,197
Revolving cash	9,750	-	-	-	-	-	9,750
Unreserved:							-
Designated for economic uncertainties	8,224,582	-	-	-	-	-	8,224,582
Undesignated	11,321,566	11,534,058	13,732,663	21,604,163	92,379,748	14,323,222	164,895,420
Total Fund Balances	26,143,761	11,534,058	13,732,663	21,604,163	92,379,748	14,473,644	179,868,037
Total Liabilities and Fund Balances	$ 44,353,032	$ 14,562,840	$ 16,001,792	$ 27,710,891	$ 92,379,748	$ 18,680,797	$ 213,689,100

The notes to the financial statements are an integral part of this statement.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
For the Year Ended June 30, 2003

Total fund balances - governmental funds		$ 179,868,037
Amounts reported for governmental *activities* in the statement of net assets are different because captial assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $276,324,802 and the accumulated depreciation is $48,299,950.		228,024,852
Interest on long-term debt is not recognized until the period in which it matures and is paid for governmental funds. For government-wide statement of activities it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(3,381,845)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds	36,115,000	
Certificates of participation	24,015,000	
Capital leases payable	184,173	
Compensated absences	4,483,285	
Postemployment benefits	4,361,042	
Other general long-term debt	165,685,000	(234,843,500)
Total net assets - governmental activities		**$ 169,667,544**

The notes to the financial statements are an integral part of this statement.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2003

	General Fund	Building Fund	Special Reserve Fund For Capital Projects	County School Facilities Fund
REVENUES				
General Revenues:				
Property taxes	$ 64,133,838	$ -	$ -	$ -
Taxes levied for other specific purposes	10,706	-	-	-
Taxes levied for debt service	-	-	-	-
Federal and state aid not restricted to specific purpose	136,356,346	-	-	-
Earnings on investments	611,893	596,523	239,100	276,015
Miscellaneous	2,485,480	-	104,100	-
Program Revenues:				
Charges for services	3,431,004	-	-	-
Operating grants and contributions	62,744,581	-	-	-
Capital Grants and Contributions	-	-	-	24,108,356
Total revenues	269,773,848	596,523	343,200	24,384,371
EXPENDITURES				
Instructional Services:				
Instruction	152,605,260	-	-	-
Instruction-Related Services:				
Supervision of instruction	8,064,636	-	-	-
Instructional library, media and technology	4,757,265	-	-	-
School site administration	23,593,707	-	-	-
Pupil Support Services:				
Home-to-school transportation	6,587,563	-	602,681	-
Food services	847	-	-	-
All other pupil services	17,108,621	-	-	-
General Administration Services:				
Data processing services	2,504,445	-	-	-
Other general administration	11,518,235	-	-	-
Plant services	20,696,203	-	1,276,004	-
Facility acquisition and construction	168,964	7,202,100	633,174	53,963,245
Ancillary services	22,432,997	-	-	-
Community services	307,516	-	-	-
Other outgo:				
Transfers between agencies	475,639	-	-	-
Debt service - principal	50,000	-	1,452,931	-
Debt service - interest	-	-	473,892	-
Debt service - issuance costs and discounts	-	2,068	2,790	-
All other outgo	182,867	-	-	-
Total Expenditures	271,054,765	7,204,168	4,441,472	53,963,245
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,280,917)	(6,607,645)	(4,098,272)	(29,578,874)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	2,509,712	-	2,692,190	2,251,110
Interfund transfers out	(5,346,853)	-	(4,499,990)	-
Other Sources	93,184	-	-	-
Proceeds from long-term debt	-	-	1,150,317	41,326,455
Total Other Financing Sources and Uses	(2,743,957)	-	(657,483)	43,577,565
Net Change in Fund Balances	(4,024,874)	(6,607,645)	(4,755,755)	13,998,691
Fund Balances, July 1, 2002, as originally stated	30,168,635	18,141,703	18,488,418	7,605,472
Adjustments for restatement	-	-	-	-
Fund Balances, July 1, 2002, as restated	30,168,635	18,141,703	18,488,418	7,605,472
Fund Balances, June 30, 2003	$ 26,143,761	$ 11,534,058	$ 13,732,663	$ 21,604,163

The notes to the financial statements are an integral part of this statement.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2003

	Community Facilities District	Other Funds	Total Governmental Funds
REVENUES			
General Revenues:			
Property taxes	$ -	$ -	$ 64,133,838
Taxes levied for other specific purposes	15,275,661	-	15,286,367
Taxes levied for debt service	-	77,765	77,765
Federal and state aid not restricted to specific purpose	-	-	136,356,346
Earnings on investments	2,330,161	84,868	4,138,560
Miscellaneous	-	7,863,294	10,452,874
Program Revenues:		-	-
Charges for services	-	2,105,959	5,536,963
Operating grants and contributions	-	20,722,841	84,467,422
Capital Grants and Contributions	-	-	24,108,356
Total revenues	17,605,822	30,854,727	343,558,491
EXPENDITURES			
Instructional Services:			
Instruction	-	8,643,846	161,249,106
Instruction-Related Services:			
Supervision of instruction	-	2,306,285	10,370,921
Instructional library, media and technology	-	204,639	4,961,904
School site administration	-	2,769,105	26,362,812
Pupil Support Services:			
Home-to-school transportation	-	-	7,190,244
Food services	-	7,033,777	7,034,624
All other pupil services	-	735,888	17,844,509
General Administration Services:			
Data processing services	-	-	2,504,445
Other general administration	-	1,251,229	12,769,464
Plant services	-	4,087,135	26,059,342
Facility acquisition and construction	2,092,765	121,337	64,181,585
Ancillary services	-	-	22,432,997
Community services	-	-	307,516
Other outgo:			
Transfers between agencies	41,326,455	-	41,802,094
Debt service - principal	-	3,326,429	4,829,360
Debt service - interest	-	7,000,259	7,474,151
Debt service - issuance costs and discounts	2,956,714	-	2,961,572
All other outgo	-	-	182,867
Total Expenditures	46,375,934	37,479,929	420,519,513
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,770,112)	(6,625,202)	(76,961,022)
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	9,527,446	16,980,458
Interfund transfers out	(6,767,233)	(366,382)	(16,980,458)
Other Sources	-	-	93,184
Proceeds from long-term debt	80,096,629	-	122,573,401
Total Other Financing Sources and Uses	73,329,396	9,161,064	122,666,585
Net Change in Fund Balances	44,559,284	2,535,862	45,702,563
Fund Balances, July 1, 2002, as originally stated	47,820,464	8,842,562	131,067,254
Adjustments for restatement	-	3,095,220	3,095,220
Fund Balances, July 1, 2002, as restated	47,820,464	11,937,782	134,162,474
Fund Balances, June 30, 2003	$ 92,379,748	$ 14,473,644	$ 179,868,037

The notes to the financial statements are an integral part of this statement.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
June 30, 2003

Total net change in fund balances - governmental funds	$ 45,702,563
Amounts reported for governmental *activities* in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay ($65,134,747) exceeds depreciation expense ($2,964,699) in the period.	62,170,048
The proceeds from the disposal of a capital asset are recognized as revenue in the governmental fund statements. In the statement of activities, the disposal of the asset and the adjustment to accumulated depreciation is required to be reported.	(459,121)
In the statement of activities, compensated absences and postemployment benefits are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*).	(457,124)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	(3,381,845)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,635,625
To eliminate other financing sources, other financing uses, and expenditures relating to the issuance of debt, and instead reflect liabilities and unamortized issue costs on the statement of net assets.	(79,640,000)
Change in net assets of governmental activities	$ 29,570,146

The notes to the financial statements are an integral part of this statement.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Statement of Fiduciary Net Assets
As of June 30, 2003

	Scholarship Trust Fund	Agency Funds Student Body Funds	Total (Memorandum Only)
ASSETS			
Cash on Hand and in Banks	$ 12,340	$ 3,961,943	$ 3,974,283
Accounts Receivable	58	118,942	119,000
Stores Inventory	-	186,446	186,446
Prepaid Expenditures	-	84,417	84,417
Total Assets	$ 12,398	$ 4,351,748	$ 4,364,146
LIABILITIES			
Accounts Payable	-	430,258	430,258
Due to Student Groups	-	1,711,810	1,711,810
Total Liabilities	-	2,142,068	2,142,068
NET ASSETS			
Reserved for Special Purposes	-	186,447	186,447
Designated for Special Purposes	-	1,042,314	1,042,314
Unrestricted	12,398	980,919	993,317
Total Net Assets	$ 12,398	$ 2,209,680	$ 2,222,078

The notes to the financial statements are an integral part of this statement.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
As of June 30, 2003

	Scholarship Trust Fund
ADDITIONS	
Other Local	$ 816
Total Revenue	816
DEDUCTIONS	
Scholarships	2,000
Total Expenditures	2,000
Change in net assets	(1,184)
Net assets - June 30, 2002	13,582
Net assets - June 30, 2003	$ 12,398

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District includes all funds, account groups, and other entities that are controlled by or 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 has a financial and operational relationship with the Sweetwater Union High School Facilities Corporation (corporation) and the Sweetwater Union High School District Community Facilities Districts (CFDs) that meets the reporting entity definition criteria of GASB Statement No.14, *The Financial Reporting Entity*, for inclusion of the entities as component units of the District. Accordingly, the financial activities of the corporation and the CFDs have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the corporation and CFDs that satisfy GASB Statement No.14 criteria.

Accountability:

1. The corporation and CFD board of directors were appointed by the District's Board of Trustees.
2. The District is able to impose its will upon the corporation and CFD, based on the following:
    a. All major financing arrangements, contracts, and other transactions of the corporation and CFD must have the consent of the District.
    b. The District exercises significant influence over operations of the corporation and CFD, as the District is the sole lessee of all facilities owned by the corporation and CFD. Likewise, the District's lease payments are the major revenue source of the corporation and CFD.
3. The corporation and CFD provide specific financial benefits or impose specific financial burdens on the District, based on the following:
    a. Any deficits incurred by the corporation and CFD will be reflected in the lease payments of the District.
    b. Any surpluses of the corporation and CFD revert to the District at the end of the lease period.

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

Fund financial statements report detailed information about the district. The focus of governmental fund financial statements is on major funds rather that reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary funds are reported using the economic resources measurement focus.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, 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 equity, revenues, and expenditures. 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's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The *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.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Special Reserve Fund for Capital Outlay* is used to account for the proceeds received from the 2000 certificates of participation, the in-substance defeasance of capital leases and capital outlay.

The *County School Facilities Fund* is used to account for state apportionments provided for modernization of school facilities under SB50.

The *Community Facilities Districts Fund* is used to separately present the financial activity of the Community Facilities Districts, as described in Note 1.A.

Non-Major Governmental Funds:

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

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

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

Capital Projects Funds are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains one non-major capital project fund; the Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The district maintains one non-major debt service fund, the Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

Fiduciary Funds:

Agency Funds are used to account for assets held by the District as trustee. The District maintains 28 agency funds, one for each school that operates a student body fund and a scholarship trust fund.

E. 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. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the district, "available" means collective within the current period or within 60 days after yearend.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting (continued)

Non-exchange transactions, in which the district receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the district must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the district on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. It is the final revised budget that is presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $100,000 by the Federal Depository Insurance Corporation and then collaterized up to $10 million.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

2. Capital Assets

Capital assets purchased or acquired with an original cost of $15,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

2 Capital Assets (continued)

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & tools	Shop & maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science & engineering	Lab equipment, scientific apparatus	10
Furniture & accessories	Classroom & other furniture	20
Business machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling	10
Musical instruments	Pianos, strings, bass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held 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.

The district has the option of reporting expenditures in government funds for prepaid items either when purchased or during the benefiting period. The district has chosen to report the expenditure when incurred.

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year-end. The noncurrent portion of the liabilities is not reported.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, Liabilities, and Equity (continued)

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure as of the balance sheet date.

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

H. Revenue Limit/Property Tax

The district's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll—approximately October 1 of each year.

The County Auditor reports the amount of the district's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the district.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenue Limit/Property Tax (continued)

The California Department of Education reduces the district's entitlement by the district's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The district's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the district is entitled by law. The is amount is multiplied by the second period ADA to derive the district's total entitlement.

I. 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 during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool ($152,626,438 as of June 30, 2003). The fair market value of this pool as of June 30, 2003, as provided by the pool sponsor, was $153,008,004. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

NOTE 2 – CASH

A summary of deposits as of June 30, 2003, is as follows:

Deposits:		Fair Market Value	Cost
Cash in county treasury		$ 153,008,004	$ 152,626,438
Cash with fiscal agent		16,829,144	16,829,144
Cash in banks		4,486,917	4,486,917
Cash in revolving fund		9,750	9,750
	Total	$ 174,333,815	$ 173,952,249

All cash balances in banks are insured up to $100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2003, expenditures exceeded appropriations in individual major funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Other outgo	$ 329,368

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2003 consist of the following:

	General Fund	Special Reserve Fund	Building Fund	County School Facilities Fund
Federal Government:				
Federal Programs	$ 3,708,724	$ -	$ -	$ -
State Government:				
Revenue Limit	9,369,187			
Categorical aid programs	4,226,376	-	-	-
Lottery	2,386,711	-	-	-
Other state	1,895,136	-	-	-
Local:				
Other	284,937	1,875,517	-	-
Interest	137,100	10,962	194,955	82,433
Miscellaneous	3,692,552	-	55,205	-
Totals	$ 25,700,723	$ 1,886,479	$ 250,160	$ 82,433

	Other Funds	Total Governmental Funds
Federal Government:		
Federal Programs	$ 1,596,315	$ 5,305,039
State Government:		
Revenue Limit	325,303	9,694,490
Categorical aid programs	-	4,226,376
Lottery	-	2,386,711
Other state	134,000	2,029,136
Local:		
Other	717	2,161,171
Interest	51,138	476,588
Miscellaneous	7,798	3,755,555
Totals	$ 2,115,271	$ 30,035,066

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2003 is shown below:

Description	Balance July 1, 2002	Restatement	Balance As restated July 1, 2002	Additions	Deletions	Balance June 30, 2003
d	$ 26,018,163	$ (16,372)	$ 26,001,791	$ -	$ -	$ 26,001,791
Improvements	5,221,200		5,221,200	543,518	-	5,764,718
ldings and improvements	98,903,823	(58,800)	98,845,023	1,262,272	-	100,107,295
:hinery and equipment	8,840,217		8,840,217	1,085,114	-	9,925,331
rk in progress	70,930,481	1,810,464	72,740,945	62,243,843	459,121	134,525,667
als at historical cost	209,913,884	1,735,292	211,649,176	65,134,747	459,121	276,324,802
s accumulated depreciation:	45,335,251	-	45,335,251	2,964,699	-	48,299,950
vernmental activities capital assets,	$ 164,578,633	$ 1,735,292	$ 166,313,925	$62,170,048	$ 459,121	$ 228,024,852

NOTE 6 - INTERFUND ACTIVITIES

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due To Other Funds
Individual fund interfund receivable and payable balances as of June 30, 2003 are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 5,479,853	$ 5,196,634
Adult Education Fund	874,756	1,553,424
Cafeteria Fund	175,607	1,853,772
Building Fund	37,849	2,302,406
County School Facilities Fund	2,331,545	2,597
Capital Facilities Fund	-	125,946
Special Reserve for Capital Outlay	2,794,370	2,259,139
Deferred Maintenance Fund	1,600,000	62
Totals	$ 13,293,980	$ 13,293,980

NOTE 6 - INTERFUND ACTIVITIES (continued)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2002-03 fiscal year are as follows:

Fund	Transfer In	Transfer Out
General	$ 2,509,712	$ 5,346,853
Adult Education	997,800	282,152
Deferred Maintenance	1,600,000	-
Cafeteria	162,413	-
Capital Facilities	-	84,230
County School Facilities	2,251,110	-
Special Reserve	2,692,190	4,499,990
Capital Projects	-	6,767,233
Debt Service	6,767,233	-
Total	$ 16,980,458	$ 16,980,458

NOTE 7 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2003 is shown below.

Description	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due Within One Year
General obligation bonds	$ 38,000,000	$ -	$ 1,885,000	$ 36,115,000	$ 2,890,000
Special tax debt	87,790,000	79,640,000	1,745,000	165,685,000	3,710,000
Certificates of participation	25,935,000	-	1,920,000	24,015,000	2,000,000
Postemployment benefits	4,466,967	1,595,183	1,701,108	4,361,042	1,160,556
Compensated absences	3,972,186	511,099	-	4,483,285	-
Capital leases	269,798	-	85,625	184,173	89,862
Totals	$160,433,951	$ 81,746,282	$ 7,336,733	$ 234,843,500	$ 9,850,418

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

In November 2000 the District voters authorized $187 million in General Obligation Bonds for the remodeling, new construction and renovations detailed in the Facilities Improvement Plan. On March 27, 2001, the District issued Series A General Obligation Bonds in the amount of $38,000,000. The issue consists of serial bonds with a stated interest rate ranging between 3.25% and 5.25% and fully maturing on August 1, 2025. At June 30, 2003 the principal balance outstanding was $36,115,000.

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2003, are as follows:

Fiscal Year	Principal	Interest	Total
2003-2004	$ 2,890,000	$ 1,570,230	$ 4,460,230
2004-2005	1,185,000	1,485,949	2,670,949
2005-2006	1,425,000	1,442,646	2,867,646
2006-2007	1,475,000	1,392,786	2,867,786
2007-2008	1,525,000	1,339,333	2,864,333
2008-2013	5,575,000	6,027,013	11,602,013
2013-2018	6,875,000	4,670,233	11,545,233
2018-2023	8,785,000	2,560,363	11,345,363
2023-2028	6,380,000	648,250	7,028,250
Totals	$ 36,115,000	$ 21,136,803	$ 57,251,803

B. Special Tax Revenue Bonds

In May 1995 the Y/S School Facilities Financing Authority issued Special Tax Refunding Bonds in the amount of $31,365,000, with interest rates ranging from 5.5% to 6.1%. At June 30, 2003, the principal balance outstanding on the bonds is $24,455,000.

In March 1997 the Y/S Facilities Financing Authority issued $19,250,000 of Special Tax Revenue Bonds, with interest rates ranging from 5.2% to 5.6%. At June 30, 2003, the principal balance outstanding on the bonds is $19,000,000.

In March 2001 the Sweetwater Union High School District CFD issued $42,875,000 of certificates of participation, with interest rates ranging from 3.2% to 5.0%. At June 30, 2003, the principal balance outstanding on the bonds is $42,590,000.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Special Tax Revenue Bonds (continued)

In December 2002 the Sweetwater Union High School District CFD issued $55,940,000 of certificates of participation, with interest rates ranging from 3.0% to 5.0%. At June 30, 2003, the principal balance outstanding on the bonds is $55,940,000.

In May 2003 the Sweetwater Union High School District CFD issued $23,700,000 of certificates of participation, with interest rates ranging from 2.0% to 3.4%. At June 30, 2003, the principal balance outstanding on the bonds is $23,700,000.

The annual requirements to amortize all special tax revenue bonds payable, outstanding as of June 30, 2003, are as follows:

Fiscal Year	Principal	Interest	Total
2003-2004	$ 3,710,000	$ 7,325,779	$ 11,035,779
2004-2005	4,745,000	7,320,733	12,065,733
2005-2006	5,165,000	7,139,926	12,304,926
2006-2007	5,605,000	6,941,343	12,546,343
2007-2008	6,060,000	6,723,321	12,783,321
2008-2013	37,685,000	29,337,358	67,022,358
2013-2018	38,250,000	20,476,156	58,726,156
2018-2023	64,465,000	14,355,498	78,820,498
Totals	$ 165,685,000	$ 99,620,114	$ 265,305,114

C. Certificates of Participation

The District has two outstanding certificates of participation issuances. The first, issued April 1, 1997, was used to purchase relocatable classrooms to accommodate enrollment growth. The principal balance outstanding as of June 30, 2003 is $3,810,000. The second issuance of certificates of participation, issued on January 1, 2001, was used to advance refund various lease-purchase agreements for relocatable buildings and equipment. The proceeds for the advance funding were obtained by issuing certificates of participation in the amount of $21,700,000, having a variable interest rate of 3.5%. The certificates are due to mature on June 1, 2013. At June 30, 2003 the principal balance outstanding was $20,205,000.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

C. Certificates of Participation (continued)

The certificates mature through 2026 as follows:

Fiscal Year	Principal	Interest	Total
2003-2004	$ 2,000,000	$ 874,346	$ 2,874,346
2004-2005	2,085,000	796,967	2,881,967
2005-2006	2,170,000	715,355	2,885,355
2006-2007	2,260,000	629,420	2,889,420
2007-2008	2,355,000	539,406	2,894,406
2008-2013	12,615,000	1,273,136	13,888,136
2013-2018	530,000	9,275	539,275
Totals	$ 24,015,000	$ 4,837,905	$ 28,852,905

D. Capital Leases

The District leases buses under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year	Lease Payment
2003-2004	98,979
2004-2005	98,979
Total	197,958
Less Amount Representing Interest	(13,785)
Present Value of Net Minimum Lease Payments	$ 184,173

The District will receive no sublease rental revenues nor pay any contingent rental fees.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

E. 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, 239 employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of $1,138,210 were recognized for retiree health care benefits.

The approximate accumulated future liability for the District at June 30, 2003 amounts to $3,742,242. This amount was calculated based upon the number of retirees receiving benefits multiplied by the annual District payment per retiree in effect at June 30, 2003, multiplied by the number of years of payments remaining.

The District offered an early retirement incentive program for employees that retired between July 1, 1998 and June 30, 1999. The District payment of retirement incentive amounts are based on the year of service the employees worked. All payments must be made 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 payouts were approximately $812,500 for the current year. The approximate accumulated future liability for early retirement incentives at June 30, 2003 is $618,800. The estimated future liability for both the postemployment health care benefits and the early retirement incentive plan combined, at June 30, 2003, is $4,361,042.

NOTE 8 – JOINT VENTURES

The Sweetwater Union High School District participates in one joint venture under a joint powers agreement (JPA), the San Diego County Schools Risk Management JPA (RM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provide workers' compensation, health, and property and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

NOTE 8 – JOINT VENTURES (continued)

Condensed unaudited financial information (most currently available) for the year ended June 30, 2002 is as follows:

	RM
Total Assets	$ 25,524,336
Total Liabilities	9,275,948
Fund Equity	$ 16,248,388
Total Revenues	$ 33,197,829
Total Expenditures	32,544,711
Net Increase/(Decrease) in Fund Balance	$ 653,118

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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 disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Construction and Modernization
The District is currently involved in several modernization projects funded through the State School Facilities Program. These projects are subject to future audits by the Office of Public School Construction, which may result in adjustments to the fund.

NOTE 10- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 8, for claims in excess of insured amounts for workers'

NOTE 10- RISK MANAGEMENT (continued)

compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 - EMPLOYEE RETIREMENT PLANS

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

Plan Description and Provisions

Public Employees' Retirement System (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 Law. 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, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. There was no required employer contribution for fiscal year 2002-03. The contribution requirements of the plan members are established by State statute. The District made $1,361,633 in contributions to CalPERS for the fiscal year ending June 30, 2003 and no contributions to CalPERS for the fiscal years ending June 30, 2002, and 2001, which represents 100% of the required contributions for each fiscal year.

NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

State Teachers' Retirement System (STRS) (continued)

Plan Description
The District contributes to the 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, disability 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 Boulevard, Sacramento, California 95826.

Funding Policy
Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2002-03 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2003, 2002, and 2001 were $12,404,816, $10,439,007, and $9,712,467, respectively, and equal 100% of the required contributions for each year.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS and to CalPERS for k-12 education. These payments consist of state general fund contributions of $6,719,510 to STRS (4.5475% of salaries subject to STRS) and $49,022 to CalPERS (.092% of salaries subject to CalPERS.

NOTE 12 – CHARTER SCHOOL

On March 16, 2000, the District approved the charter petition of the Metropolitan Area Advisory Committee (M.A.A.C.) charter school pursuant to Education Code Section 47605. The financial activities of the M.A.A.C. charter school are presented in the District's General Fund.

NOTE 13 – ADJUSTMENTS FOR RESTATEMENT

The beginning net asset balance, in the Statement of Activities, has been restated to include $1,735,292 in additional Work in Progress capital assets and $3,095,220 in net assets from the Bond Interest and Redemption Fund, used to accumulate resources for the repayment of bond interest and principal. The beginning fund balance in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds was restated to include the $3,095,220 in fund balance for the Bond Interest and Redemption Fund, a non-major governmental fund.

NOTE 14 – SUBSEQUENT EVENTS

On June 25, 2003, the District issued $52,000,000 in General Obligation Bonds for the continued remodeling, new construction and renovation projects detailed in the Facilities Improvement Plan. The issue, Series B of the total District voter authorized $187 million, consists of serial bonds with a stated interest rate ranging between 3.0% and 4.75% and fully maturing on August 1, 2028. Bond proceeds from the issuance were received subsequent to June 30, 2003 and have been recorded in the 2003-04 fiscal year as an addition to long-term debt.

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 1995, and the increase from the previous year.

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

Year	County	Rate	State	Rate
1995	2,658,600	-------	31,910,000	-------
1996	2,682,100	0.9%	32,223,000	1.0%
1997	2,729,100	1.8%	32,670,000	1.4%
1998	2,795,800	2.4%	33,226,000	1.7%
1999	2,855,900	2.1%	33,766,000	1.6%
2000	2,835,400	(0.7)%	34,207,000	1.3%
2001	2,859,900	0.9%	34,385,000	0.5%
2002	2,908,500	1.7%	35,000,000	1.8%
2003	2,976,100	2.3%	35,612,000	1.7%
2004	3,017,200	1.4%	36,144,000	1.5%
Overall increase since 1995		13.5%		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 1998 and 2002.

TABLE NO. C-2
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME
CALENDAR YEARS 1998 THROUGH 2002

	County of San Diego	State of California	United States
1998	$36,296	$37,091	$35,377
1999	39,213	39,492	37,223
2000	44,292	44,464	39,129
2001	44,146	43,532	38,365
2002	42,315	42,484	38,035

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

Employment

The County's unemployment rate in 2003 averaged 4.3%. The County's 2003 unemployment rate was lower than the State's at 6.7% and the national rate of 6.0%.

TABLE NO. C-3
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF RESIDENT LABOR FORCE

	1999	2000	2001	2002	2003
Civilian Labor Force - County of San Diego					
Employed	1,306,700	1,349,400	1,371,800	1,395,600	1,419,000
Unemployed	41,600	41,700	45,900	62,400	63,100
Unemployment Rates (1)					
County	3.1%	3.0%	3.2%	4.3%	4.3%
California	5.2%	4.9%	5.4%	6.7%	6.7%
United States	4.2%	4.0%	4.7%	5.8%	6.0%

(1) The unemployment rate is computed from unrounded data and may differ from rates using the rounded figures in this table. March 2003 Benchmark; data not seasonably adjusted.

Source: State of California Employment Development Department, Labor Market Information Division and United States Department of Labor, Bureau of Labor Statistics.

TABLE NO. C-4
COUNTY OF SAN DIEGO, CALIFORNIA, AND UNITED STATES
LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
1999				
San Diego	1,348,300	1,306,700	41,600	3.1
California	16,375,600	15,522,300	853,300	5.2
United States	139,368,000	133,488,000	5,880,000	4.2
2000				
San Diego	1,391,100	1,349,400	41,700	3.0
California	16,892,000	16,056,500	835,500	4.9
United States	142,583,000	136,891,000	5,692,000	4.0
2001				
San Diego	1,417,700	1,371,800	45,900	3.2
California	17,171,600	16,249,100	922,500	5.4
United States	143,734,000	136,933,000	6,801,000	4.7
2002				
San Diego	1,458,000	1,395,600	62,400	4.3
California	17,375,800	16,214,900	1,160,900	6.7
United States	144,863,000	136,485,000	8,378,000	5.8
2003				
San Diego	1,482,200	1,419,100	63,100	4.3
California	17,460,000	16,282,700	1,177,300	6.7
United States	146,510,000	137,736,000	8,774,000	6.0

(1) The unemployment rate is computed from unrounded data and may differ from rates using the rounded figures in this table. March 2003 Benchmark; data not seasonably adjusted.

Source: State of California Employment Development Department, Labor Market Information Division and United States Department of Labor, Bureau of Labor Statistics.

Employment and Industry

The District is located in the San Diego County MSA labor market. Six major job categories constitute 77.0% of the work force. They are government (17.4%), professional and business services (15.8%), service producing (14.3%), leisure and hospitality (11.3%), educational and health services (9.9%), and manufacturing (8.3%). The May, 2004 unemployment rate in the San Diego County area was 3.8%. The State of California May, 2004 unemployment rate (unadjusted) was 5.8%.

TABLE NO. C-5
SAN DIEGO COUNTY MSA
WAGE AND SALARY WORKERS BY INDUSTRY (1)
(in thousands)

Industry	2000	2001	2002	2003	2004
Government	213.5	219.3	222.8	224.8	221.6
Other Services	42.3	45.0	46.6	46.0	48.3
Leisure and Hospitality	129.6	132.7	134.8	136.8	144.1
Educational and Health Services	115.6	116.2	121.0	121.2	125.4
Professional and Business Services	191.9	198.0	200.7	201.8	201.3
Financial Activities	71.1	71.7	74.6	78.6	83.2
Information	40.3	39.1	38.0	37.3	36.3
Transportation, Warehousing and Utilities	30.4	32.0	30.7	26.6	27.0
Service Producing					
Retail Trade	131.1	133.3	135.8	137.0	139.9
Wholesale Trade	39.4	42.3	41.6	41.4	41.6
Manufacturing					
Nondurable Goods	30.5	30.2	28.3	26.6	26.4
Durable Goods	92.9	90.1	85.5	79.8	78.7
Goods Producing					
Construction	68.2	75.4	76.8	76.2	87.2
Natural Resources and Mining	0.3	0.3	0.3	0.3	0.3
Total Nonfarm	1,197.1	1,225.6	1,237.5	1,234.4	1,261.3
Farm	12.3	11.9	11.3	10.9	11.2
Total (all industries)	1,209.4	1,237.5	1,248.8	1,245.3	1,272.5

(1) Annually, as of May, 2004. March 2003 Benchmark.

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

Construction

Annual total building permit valuation and unit volume in the County between 1998 and 2002 are shown below.

TABLE NO. C-6
COUNTY OF SAN DIEGO
BUILDING PERMIT VALUATIONS
(in thousands)

	1998	1999	2000	2001	2002
Residential Units	12,173	16,427	15,927	15,650	14,957
Non-Residential Units	641	619	573	475	488
Total Valuation	$3,525,231	$4,322,589	$4,399,706	$4,359,424	$3,980,288

Source: County of San Diego Comprehensive Annual Financial Report.

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

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 $96,999,415.35 Election of 2000, General Obligation Bonds, Series C (the "Bonds"). The Bonds are being authenticated and delivered pursuant to a Resolution of the Board of Supervisors of the County of San Diego. The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters (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 District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

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

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

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

"Participating Underwriters" shall mean the original underwriters 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, 2005, 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 District 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 District shall provide the Annual Report to the Dissemination Agent (if the District 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 District shall provide a written certification with each Annual Report furnished to the Dissemination Agent (if the District 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 District 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 District is not the Dissemination Agent) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District, to determine if the District is in compliance with 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 District 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 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.

(c) In addition to the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required information, in light of the circumstances under which it is provided, not misleading.

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

Section 5. Reporting of Significant Events.

(a) Pursuant to this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.

(2) Non payment related defaults.

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

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

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

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

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

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

(11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law. The Dissemination Agent shall have no role nor any responsibility for such determination.

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

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District 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. The initial Dissemination Agent shall be the District. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days' written notice to the District.

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

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Municipal Securities Rulemaking Board and each Repository.

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

Section 10. Default. In the event of a failure of the District 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 District 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 District or the Bond Registrar to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Bond Registrar and Dissemination Agent. The Dissemination Agent (if other than the District 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 District 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 District 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 District, the Bond Owners, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: November 4, 2004

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 C

Date of Issuance: November 4, 2004

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 November 4, 2004. The District anticipates that the Annual Report will be filed by ____________.

Dated: _______________

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: ______________________________________

Its: ______________________________________

cc: County of San Diego Treasurer-Tax Collector

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

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

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

[Countersignature]

By ______________________

FINANCIAL SECURITY ASSURANCE INC.

By ______________________
Authorized Officer

SPECIMEN

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

FINANCIAL SECURITY ASSURANCE®

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

ISSUER:

BONDS:

Policy No.:

Effective Date:

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

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

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

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________
Authorized Officer

SPECIMEN

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 560NY (CA 1/91)

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APPENDIX F

TABLE OF ACCRETED VALUES

Date	Bonds Maturing August 1, 2015	Bonds Maturing August 1, 2016	Bonds Maturing August 1, 2017	Bonds Maturing August 1, 2018	Bonds Maturing August 1, 2019
November 4, 2004	$3,132.80	$2,874.65	$2,561.10	$2,430.10	$2,305.80
February 1, 2005	3,165.90	2,907.55	2,593.80	2,461.10	2,335.25
August 1, 2005	3,235.55	2,976.90	2,662.80	2,526.60	2,397.35
February 1, 2006	3,306.75	3,047.90	2,733.60	2,593.80	2,461.10
August 1, 2006	3,379.50	3,120.60	2,806.35	2,662.80	2,526.60
February 1, 2007	3,453.85	3,195.05	2,881.00	2,733.60	2,593.80
August 1, 2007	3,529.80	3,271.25	2,957.60	2,806.35	2,662.80
February 1, 2008	3,607.50	3,349.25	3,036.30	2,881.00	2,733.60
August 1, 2008	3,686.85	3,429.15	3,117.05	2,957.60	2,806.35
February 1, 2009	3,767.95	3,510.95	3,199.95	3,036.30	2,881.00
August 1, 2009	3,850.85	3,594.65	3,285.10	3,117.05	2,957.60
February 1, 2010	3,935.55	3,680.40	3,372.45	3,199.95	3,036.30
August 1, 2010	4,022.15	3,768.20	3,462.20	3,285.10	3,117.05
February 1, 2011	4,110.65	3,858.05	3,554.25	3,372.45	3,199.95
August 1, 2011	4,201.05	3,950.05	3,648.80	3,462.20	3,285.10
February 1, 2012	4,293.50	4,044.25	3,745.85	3,554.25	3,372.45
August 1, 2012	4,387.95	4,140.75	3,845.50	3,648.80	3,462.20
February 1, 2013	4,484.50	4,239.50	3,947.80	3,745.85	3,554.25
August 1, 2013	4,583.15	4,340.60	4,052.80	3,845.50	3,648.80
February 1, 2014	4,684.00	4,444.10	4,160.65	3,947.80	3,745.85
August 1, 2014	4,787.05	4,550.10	4,271.30	4,052.80	3,845.50
February 1, 2015	4,892.35	4,658.65	4,384.90	4,160.65	3,947.80
August 1, 2015	5,000.00	4,769.75	4,501.55	4,271.30	4,052.80
February 1, 2016		4,883.50	4,621.30	4,384.90	4,160.65
August 1, 2016		5,000.00	4,744.20	4,501.55	4,271.30
February 1, 2017			4,870.40	4,621.30	4,384.90
August 1, 2017			5,000.00	4,744.20	4,501.55
February 1, 2018				4,870.40	4,621.30
August 1, 2018				5,000.00	4,744.20
February 1, 2019					4,870.40
August 1, 2019					5,000.00

Date	Bonds Maturing August 1, 2020	Bonds Maturing August 1, 2021	Bonds Maturing August 1, 2022	Bonds Maturing August 1, 2023	Bonds Maturing August 1, 2024
November 4, 2004	$2,187.85	$2,075.95	$1,969.75	$1,869.00	$1,773.40
February 1, 2005	2,215.80	2,102.45	1,994.90	1,892.85	1,796.05
August 1, 2005	2,274.70	2,158.35	2,047.95	1,943.20	1,843.80
February 1, 2006	2,335.25	2,215.80	2,102.45	1,994.90	1,892.85
August 1, 2006	2,397.35	2,274.70	2,158.35	2,047.95	1,943.20
February 1, 2007	2,461.10	2,335.25	2,215.80	2,102.45	1,994.90
August 1, 2007	2,526.60	2,397.35	2,274.70	2,158.35	2,047.95
February 1, 2008	2,593.80	2,461.10	2,335.25	2,215.80	2,102.45
August 1, 2008	2,662.80	2,526.60	2,397.35	2,274.70	2,158.35
February 1, 2009	2,733.60	2,593.80	2,461.10	2,335.25	2,215.80
August 1, 2009	2,806.35	2,662.80	2,526.60	2,397.35	2,274.70
February 1, 2010	2,881.00	2,733.60	2,593.80	2,461.10	2,335.25
August 1, 2010	2,957.60	2,806.35	2,662.80	2,526.60	2,397.35
February 1, 2011	3,036.30	2,881.00	2,733.60	2,593.80	2,461.10
August 1, 2011	3,117.05	2,957.60	2,806.35	2,662.80	2,526.60
February 1, 2012	3,199.95	3,036.30	2,881.00	2,733.60	2,593.80
August 1, 2012	3,285.10	3,117.05	2,957.60	2,806.35	2,662.80
February 1, 2013	3,372.45	3,199.95	3,036.30	2,881.00	2,733.60
August 1, 2013	3,462.20	3,285.10	3,117.05	2,957.60	2,806.35
February 1, 2014	3,554.25	3,372.45	3,199.95	3,036.30	2,881.00
August 1, 2014	3,648.80	3,462.20	3,285.10	3,117.05	2,957.60
February 1, 2015	3,745.85	3,554.25	3,372.45	3,199.95	3,036.30
August 1, 2015	3,845.50	3,648.80	3,462.20	3,285.10	3,117.05
February 1, 2016	3,947.80	3,745.85	3,554.25	3,372.45	3,199.95
August 1, 2016	4,052.80	3,845.50	3,648.80	3,462.20	3,285.10
February 1, 2017	4,160.65	3,947.80	3,745.85	3,554.25	3,372.45
August 1, 2017	4,271.30	4,052.80	3,845.50	3,648.80	3,462.20
February 1, 2018	4,384.90	4,160.65	3,947.80	3,745.85	3,554.25
August 1, 2018	4,501.55	4,271.30	4,052.80	3,845.50	3,648.80
February 1, 2019	4,621.30	4,384.90	4,160.65	3,947.80	3,745.85
August 1, 2019	4,744.20	4,501.55	4,271.30	4,052.80	3,845.50
February 1, 2020	4,870.40	4,621.30	4,384.90	4,160.65	3,947.80
August 1, 2020	5,000.00	4,744.20	4,501.55	4,271.30	4,052.80
February 1, 2021		4,870.40	4,621.30	4,384.90	4,160.65
August 1, 2021		5,000.00	4,744.20	4,501.55	4,271.30
February 1, 2022			4,870.40	4,621.30	4,384.90
August 1, 2022			5,000.00	4,744.20	4,501.55
February 1, 2023				4,870.40	4,621.30
August 1, 2023				5,000.00	4,744.20
February 1, 2024					4,870.40
August 1, 2024					5,000.00

Date	Bonds Maturing August 1, 2025	Bonds Maturing August 1, 2026
November 4, 2004	$1,682.70	$1,596.60
February 1, 2005	1,704.15	1,617.00
August 1, 2005	1,749.50	1,660.00
February 1, 2006	1,796.05	1,704.15
August 1, 2006	1,843.80	1,749.50
February 1, 2007	1,892.85	1,796.05
August 1, 2007	1,943.20	1,843.80
February 1, 2008	1,994.90	1,892.85
August 1, 2008	2,047.95	1,943.20
February 1, 2009	2,102.45	1,994.90
August 1, 2009	2,158.35	2,047.95
February 1, 2010	2,215.80	2,102.45
August 1, 2010	2,274.70	2,158.35
February 1, 2011	2,335.25	2,215.80
August 1, 2011	2,397.35	2,274.70
February 1, 2012	2,461.10	2,335.25
August 1, 2012	2,526.60	2,397.35
February 1, 2013	2,593.80	2,461.10
August 1, 2013	2,662.80	2,526.60
February 1, 2014	2,733.60	2,593.80
August 1, 2014	2,806.35	2,662.80
February 1, 2015	2,881.00	2,733.60
August 1, 2015	2,957.60	2,806.35
February 1, 2016	3,036.30	2,881.00
August 1, 2016	3,117.05	2,957.60
February 1, 2017	3,199.95	3,036.30
August 1, 2017	3,285.10	3,117.05
February 1, 2018	3,372.45	3,199.95
August 1, 2018	3,462.20	3,285.10
February 1, 2019	3,554.25	3,372.45
August 1, 2019	3,648.80	3,462.20
February 1, 2020	3,745.85	3,554.25
August 1, 2020	3,845.50	3,648.80
February 1, 2021	3,947.80	3,745.85
August 1, 2021	4,052.80	3,845.50
February 1, 2022	4,160.65	3,947.80
August 1, 2022	4,271.30	4,052.80
February 1, 2023	4,384.90	4,160.65
August 1, 2023	4,501.55	4,271.30
February 1, 2024	4,621.30	4,384.90
August 1, 2024	4,744.20	4,501.55
February 1, 2025	4,870.40	4,621.30
August 1, 2025	5,000.00	4,744.20
February 1, 2026		4,870.40
August 1, 2026		5,000.00

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 theses documents are available for inspection during the period of initial offering on the Bonds at the offices of the Financial Advisor and may be obtained after delivery of the Bonds from the District through the Chief Financial 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