NEW ISSUE - BOOK-ENTRY ONLY

RATINGS

Standard & Poor's: AAA

Moody's: Aaa

(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 on the Bonds is not included in the gross income of the Owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals or corporations. Interest on the Bonds may be included in the calculation of certain taxes, however, including the alternative minimum tax and environmental tax on corporations. Interest on the Bonds will be exempt from present State of California personal income taxes. See "LEGAL MATTERS - Tax Matters" herein.

SAN DIEGO COUNTY

STATE OF CALIFORNIA

SWEETWATER
UNION HIGH SCHOOL DISTRICT

$52,000,000
SWEETWATER UNION HIGH SCHOOL DISTRICT
ELECTION OF 2000
GENERAL OBLIGATION BONDS, SERIES B

Dated: Date of Delivery

Due: August 1, as shown below.

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

Interest on the Bonds is payable on February 1, 2004, and semiannually thereafter on August 1 and February 1 of each year until maturity or earlier redemption (each, a "Bond Payment Date") (see "THE BONDS - General Provisions" and "THE BONDS - Redemption" herein).

Payment of the principal at the stated maturity of and interest with respect to the Bonds will be guaranteed by a Financial Guaranty Insurance Policy to be issued by MBIA Insurance Corporation simultaneously with the issuance of the Bonds. See "SOURCES OF PAYMENT FOR THE BONDS – Municipal Bond Insurance" herein.

MBIA

MATURITY SCHEDULE

$42,325,000 Serial Bonds

Maturity August 1	Principal Amount	Interest Rate	Reoffering Yield	Maturity August 1	Principal Amount	Interest Rate	Reoffering Yield
2008	$ 525,000	3.00%	2.04%	2018	$1,920,000	4.00%	3.99% *
2009	630,000	3.00	2.37	2019	2,115,000	4.00	4.06
2010	745,000	3.25	2.75	2020	2,315,000	4.10	4.13
2011	870,000	3.50	2.95	2021	2,535,000	4.125	4.21
2012	995,000	4.00	3.12	2022	2,760,000	4.25	4.28
2013	1,130,000	4.00	3.25	2023	3,005,000	4.25	4.33
2014	1,270,000	4.00	3.44 *	2024	3,260,000	4.25	4.36
2015	1,420,000	4.00	3.60 *	2027	6,545,000	4.375	4.42
2016	1,580,000	4.00	3.77 *	2028	6,960,000	4.75	4.37 *
2017	1,745,000	4.00	3.89 *				

$9,675,000 4.25% Term Bonds due August 1, 2026 Price 97.837%

* Priced to the August 1, 2013 Optional Call Date

The Bonds are general obligations of the Sweetwater Union High School District. The Board of Supervisors of San Diego County is empowered and obligated to levy ad valorem taxes, without limitation of rate or amount, upon all property within the District subject to taxation, for the payment of interest on and principal of the Bonds when due (see "SECURITY FOR THE BONDS" herein). The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel. Certain legal matters will be passed on for the District by District Counsel and by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery in New York, New York on or about July 9, 2003 for deposit with The Depository Trust Company (see "THE BONDS - General Provisions - Book-Entry Only System" herein).

The date of the Official Statement is June 25, 2003.

UBS Financial Services Inc.

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 Underwriter. 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 Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. 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 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 Underwriter 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 Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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.

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SWEETWATER UNION HIGH SCHOOL DISTRICT

SAN DIEGO COUNTY, CALIFORNIA

ADMINISTRATION

Dr. Edward M. Brand, *Superintendent*
Mr. Barry S. Dragon, *Chief Finance 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

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

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS

Standard & Poor's: AAA

Moody's: Aaa

(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 on the Bonds is not included in the gross income of the Owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals or corporations. Interest on the Bonds may be included in the calculation of certain taxes, however, including the alternative minimum tax and environmental tax on corporations. Interest on the Bonds will be exempt from present State of California personal income taxes. See "LEGAL MATTERS - Tax Matters" herein.

SAN DIEGO COUNTY

STATE OF CALIFORNIA

SWEETWATER
UNION HIGH SCHOOL DISTRICT

$52,000,000
SWEETWATER UNION HIGH SCHOOL DISTRICT
ELECTION OF 2000
GENERAL OBLIGATION BONDS, SERIES B

Dated: Date of Delivery

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

Interest on the Bonds is payable on February 1, 2004, and semiannually thereafter on August 1 and February 1 of each year until maturity or earlier redemption (each, a "Bond Payment Date") (see "THE BONDS - General Provisions" and "THE BONDS - Redemption" herein).

Payment of the principal at the stated maturity of and interest with respect to the Bonds will be guaranteed by a Financial Guaranty Insurance Policy to be issued by MBIA Insurance Corporation simultaneously with the issuance of the Bonds. See "SOURCES OF PAYMENT FOR THE BONDS – Municipal Bond Insurance" herein.

MBIA

MATURITY SCHEDULE
$42,325,000 Serial Bonds

Maturity August 1	Principal Amount	Interest Rate	Reoffering Yield	Maturity August 1	Principal Amount	Interest Rate	Reoffering Yield
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2014	1,270,000	4.00	3.44 *	2024	3,260,000	4.25	4.36
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$9,675,000 4.25% Term Bonds due August 1, 2026 Price 97.837%

* Priced to the August 1, 2013 Optional Call Date

The Bonds are general obligations of the Sweetwater Union High School District. The Board of Supervisors of San Diego County is empowered and obligated to levy ad valorem taxes, without limitation of rate or amount, upon all property within the District subject to taxation, for the payment of interest on and principal of the Bonds when due (see "SECURITY FOR THE BONDS" herein). The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel. Certain legal matters will be passed on for the District by District Counsel and by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery in New York, New York on or about July 9, 2003 for deposit with The Depository Trust Company (see "THE BONDS - General Provisions - Book-Entry Only System" herein).

The date of the Official Statement is June 25, 2003.

UBS Financial Services Inc.

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OFFICIAL STATEMENT

$52,000,000
SWEETWATER UNION HIGH SCHOOL DISTRICT
ELECTION OF 2000
GENERAL OBLIGATION BONDS, SERIES B

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 B (the "Bonds"), in the aggregate principal amount of $52,000,000, 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 serves approximately 38,000 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 May 20, 2003 and by the Board of Supervisors of the County on June 10, 2003 (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 second series of bonds pursuant to the Authorization.

Security and Sources of Repayment

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

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

Municipal Bond Insurance

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.

The Project. Measure "BB" for remodeling, new construction and renovation (the "Project") consists of \$187 million of work addressing facilities needs at 18 secondary schools, a new adult school facility and a portion of a new high school. Completion of the entire Project is expected to be phased over 7 years. The District anticipates issuing additional series of bonds under the Measure "BB" authorization in two series over a period of 5 years.

Purpose

The Bonds are being issued to provide funds for modernization projects at five schools, planning and design 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 BONDS- Estimated Sources and Uses of Funds" and "THE PROJECT" herein).

The Bonds

Redemption. The Bonds maturing on or after August 1, 2014 are subject to optional redemption prior to maturity, in whole or in part, in a manner determined by the District, on any Bond Payment Date on or after August 1, 2013, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, as described herein (see "THE BONDS - Redemption - Optional Redemption" herein).

The Bonds maturing August 1, 2026 are subject to mandatory sinking fund redemption, in part by lot, on August 1 in each year commencing August 1, 2025 from Sinking Fund payments required to be paid on such dates, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, as described herein (see "THE BONDS – Redemption – Sinking Fund Redemption" herein).

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

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

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

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

Legal Matters

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

Professional Services

The 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, 2002, attached hereto as "APPENDIX B" have been audited by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants & Consultants, Rancho Cucamonga, California.

Offering and Delivery of the Bonds

The Bonds were awarded to UBS Financial Services Inc. (the "Underwriter") on June 25, 2003 pursuant to the terms of a competitive sale. 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 July 9, 2003 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 Underwriter. 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, Chula Vista, California, telephone (619) 691-5550.

THE BONDS

General Provisions

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

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

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

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Resolution, upon surrender of such Bond for cancellation at the office of the Bond Registrar. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Bond Registrar shall execute and deliver a new Bond or Bonds for like aggregate principal amount and of like maturity. The Bond Registrar may require the payment by the 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 Bonds maturing on or after August 1, 2014 are subject to redemption prior to maturity on any Bond Payment Date on or after August 1, 2013, as a whole or in part, in a manner determined by the District, from any source of funds at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Sinking Fund Redemption. The Bonds maturing August 1, 2026 (the "Term Bonds") are subject to mandatory sinking fund redemption, in part by lot, on August 1 in each year commencing August 1, 2025 from Sinking Fund payments, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the redemption date in the aggregate principal amounts and on August 1 in the years as set forth in the following schedules. If some, but not all, of the Term Bonds have been redeemed pursuant to the optional redemption provisions described herein, the aggregate principal amount of the Term Bonds to be redeemed in each year thereafter shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among Sinking Fund payments on a pro-rata basis in integral multiples of $5,000.

SCHEDULE OF MANDATORY SINKING FUND REDEMPTIONS
TERM BONDS MATURING AUGUST 1, 2026

August 1 Year	Principal Amount
2025	$3,525,000
2026	6,150,000 (maturity)

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

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

Effect of Redemption. Interest on the Bonds (or portions thereof) called for redemption will cease to accrue on the date fixed for redemption and such Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Resolution and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Resolution contains no provisions requiring any publication of notice of redemption, and 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 Bond is called for redemption, then upon surrender of such 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 Bond surrendered and of the same interest rate and the same maturity.

Estimated Sources and Uses of Funds

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

Sources of Funds

Principal Amount of Bonds	$52,000,000.00
Underwriter's Discount	(368,680.00)
Original Issue Premium	217,876.30
Available Funds	$51,849,196.30

Uses of Funds

Debt Service Fund	$ 217,876.30
Building Fund [(1)]	51,631,320.00
Total Uses	$51,849,196.30

(1) Costs of issuing the Bonds will be paid from amounts deposited in the Building Fund. 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 has adopted a Facilities Improvement Plan which identifies the capital needs at each school site in the District, based on aging classrooms, increasing enrollment, safety and access issues, increased technology demands and growing community needs. Measure "BB" was approved by District voters in November, 2000 and provides authorization for $187 million in general obligation funding for the remodeling, new construction and renovations detailed in the Facilities Improvement Plan.

Projects to be funded with this second series of Bonds include (1) modernization of facilities at Chula Vista High School, Southwest Junior High School, National Middle School, Sweetwater High School and Mar Vista High School, in the approximate amount of $42 million and (2) planning and design costs for modernization of all schools in the Facilities Improvement Plan in the approximate amount of $10 million.

SECURITY FOR THE BONDS

General

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

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

Municipal Bond Insurance

The MBIA Insurance Corporation Insurance Policy

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

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

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

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

National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

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

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "Municipal Bond Insurance". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of $9.2 billion (audited), total liabilities of $6.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2003 MBIA had admitted assets of $9.3 billion (unaudited), total liabilities of $6.1 billion (unaudited), and total capital and surplus of $3.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

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

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

Fitch Ratings rates the financial strength of MBIA "AAA."

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

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

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

CONSTITUTIONAL LIMITATION ON TAXES AND EXPENDITURES

Article 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.

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 District, county, District and county, school district, authority or other political subdivision of the State. The "base year" for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by public agencies.

Appropriations subject to Article 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.

n 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 erm "change in the cost of living" was redefined as the change in the California per capita personal ncome ("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 ppropriations 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 nacting statutes and constitutional amendments. Over the past 18 years, the voters have exercised this ower 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 2, 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 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.

SWEETWATER UNION HIGH SCHOOL DISTRICT

General Information

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

Board of Trustees and Administration

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

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

BOARD OF TRUSTEES

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

ADMINISTRATION

Dr. Edward M. Brand	Superintendent
Mr. Barry S. Dragon	Chief Finance 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 Finance Officer are set forth below:

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

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

Enrollment

The District's primary revenue source is State of California funds, entitlement to which is based upon student attendance. About 73.5% of the district's 2002/03 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. 2 shows the District enrollment, ADA and funded revenue limits between 1991/92 and 2001/02 with estimates for 2002/03. 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
1991/92	28,306	---	25,736	---	$3,529
1992/93	28,748	1.6%	26,218	1.9%	$3,595
1993/94	28,818	0.2%	26,168	(0.02)	$3,582
1994/95	28,945	0.4%	26,378	0.8%	$3,584
1995/96	29,596	2.2%	27,205	3.1%	$3,750
1996/97	30,791	4.0%	28,245	3.8%	$4,003
1997/98	31,760	3.1%	29,227	3.5%	$4,105
1998/99	33,027	4.0%	30,580	4.6%	$4,458
1999/00	34,004	3.0%	31,372	2.6%	$4,611
2000/01	35,330	3.9%	32,634	4.0%	$5,127
2001/02	37,208	5.3%	34,716	6.4%	$5,317
Increase between 1992 and 2002		31.4%		34.9%	
2002/03 (projected)	38,138	2.5%	35,600	2.5%	$5,425

* Excluding excused absences.

District Employees

The District currently employs 2,385 certificated and 1,512 classified employees. Table No. 2 sets forth historical employee information for the District.

TABLE NO. 2
SWEETWATER UNION HIGH SCHOOL DISTRICT
DISTRICT EMPLOYEES

Fiscal	Number of Employees		
Year	Certificated	Classified	Total
1992/93	1,719	1,084	2,803
1993/94	1,722	1,155	2,877
1994/95	1,721	1,146	2,867
1995/96	1,756	1,202	2,958
1996/97	1,810	1,197	3,007
1997/98	1,881	1,259	3,140
1998/99	1,911	1,331	3,242
1999/00	2,087	1,437	3,524
2000/01	2,205	1,457	3,662
2001/02	2,385	1,512	3,897

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 24, 2002, the District adopted its budget for Fiscal Year 2002/03. 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 2001/02, the District's base revenue limit per unit of ADA was $5,317. For fiscal year 2002/03, the District estimates that its revenue limit per unit of ADA will be $5,425.

Revenue limit sources account for 73% of total District revenues in both fiscal year 2001/02 and the 2002/03 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 2001/02 share of the property tax revenue in the County is approximately $55.5 million or 20% of the District's General Fund Revenue and is approximately $56.2 million or 26% of General Fund Revenue in fiscal year 2002/03 (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 53% of the District's General Fund Revenue for Fiscal Year 2001/02 and is budgeted to be 47% for Fiscal Year 2002/03.

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% of General Fund Sources in fiscal year 2001/02 and are budgeted to equal approximately 5% of such revenues in fiscal year 2002/03.

Other State Sources

In addition to apportionment revenue, the District receives substantial other State revenues ("Other State Sources"). In fiscal year 2001/02, including lottery revenues described below, Other State Sources are estimated to have accounted for approximately 18% of total General Fund Sources and in fiscal year 2002/03, Other State Sources are budgeted to equal approximately 19% 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 2001/02 were approximately $5.6 million which amounted to approximately 2% of total General Fund Sources. For fiscal year 2002/03, Lottery revenue is budgeted to be approximately $5.2 million, which also amounts to approximately 2% of budgeted total General Fund Sources.

Other Local Sources

In addition to property taxes, the District receives additional local revenues from items such as the leasing of property owned by the District and interest earnings. Revenues from these Other Local Sources equaled approximately 3% of the total General Fund Sources in fiscal year 2001/02 and are budgeted at 3% of the total General Fund Sources in fiscal year 2002/03.

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" below. 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.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State's bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites has not been reviewed by the District and is not incorporated herein by reference.

- The California State Treasurer's Office Internet home page posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page also posts the State's audited financial statements. In addition, the "District Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "District Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current official statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page includes the text of proposed and adopted State budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the legislative Analyst's Internet home page.

THE STATE HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE, THE UNDERWRITER 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 UNDERWRITER ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OF THE STATE BUDGET INFORMATION SET FORTH HEREIN OR INCORPORATED BY REFERENCE HEREIN.

2002/03 Fiscal Year State Budget. The 2002/03 Budget Act was signed into law on September 5, 2002. The adopted budget addressed a \$23.6 billion gap between State revenues and expenditures through a combination of program and personnel reductions, loans, fund shifts, accelerations of revenue recognition, transfers and tax increases. Many of these were one-time adjustments that delayed the full effect of the revenue shortfall until future years. The adopted budget included general fund revenue and transfers-in of \$79.2 billion, compared to \$73.9 billion for 2001/02 and \$71.4 billion in 2000/01. General fund expenditures are budgeted at \$76.8 billion, compared to \$76.9 billion for 2001/02 and \$78.1 for 2000/01. The fiscal year-end general fund balance was budgeted at \$2.5 billion, compared to \$72 million for 2001/02 and \$3.0 billion in 2000/01. However, on December 6, 2002, the Governor released his Mid Year Spending Reduction Proposals to address a further projected budget gap for the 2002/03 Fiscal Year (see "Governor's Proposed 2002/03 Mid-Year Reductions" below).

Initially, education funding was generally spared from drastic cuts in the 2002/03 budget process (see "Governor's Proposed 2002/03 Mid-Year Reductions" below). Proposition 98 K-12 education funding was budgeted at \$41.6 billion, an increase of \$3.2 billion or 8.4% over the previous year and \$6 million above the Proposition 98 minimum funding guarantee. This included a deferral to the current year of over \$1 billion in Proposition 98 appropriations for 2001/02. The deferred amount was already distributed to schools in early 2002/03; however, another \$681 million of budgeted Proposition 98 funding in 2002/03 will not be distributed to school districts until early 2003/04. Total K-12 spending from all sources, including local property tax revenues and the federal government, was budgeted to increase \$3.0 billion to \$55.7 billion.

The adopted budget included \$727 million to provide statutory increases, based on enrollment growth, for: apportionments (\$577.9 million), special education (\$49.9 million), adult education (\$15 million), regional occupational centers and programs (\$5.8 million), and all other categorical programs (\$78.1 million). Cost of living adjustments (COLAs) to these programs, mandated by statute to increase 1.66%, are budgeted at 2% growth. The adopted budget reflected a total of \$143 million in Proposition 98 appropriations vetoed and set aside to be appropriated later in the fiscal year for any increased costs in existing programs.

Major education initiatives in the adopted budget included the instructional materials block grant (\$400 million, of which \$150 million is in one-time funds), for core-curriculum textbooks and other materials; mathematics and reading professional development (\$63.5 million), to provide training for teachers and aides; principals training (\$7.5 million); superintendent training (\$350,000), high-priority students block grant (\$217 million), to improve student achievement in lowest performing schools; immediate intervention/underperforming schools programs (\$184.6 million); high achieving/improving schools awards (\$77 million), to fund awards earned by schools in the previous fiscal year; interventions in underperforming schools (\$6 million), to augments federal funding for academically troubled schools already working with intervention teams or subject to other sanctions.

Governor's Proposed 2003/04 Budget.

The Governor announced his proposed 2003/04 State Budget (the "Proposed 2003/04 Budget") on January 10, 2003, projecting a budget shortfall totaling $34.6 billion. The Governor also announced that General Fund revenues from major tax sources were expected to fall to $65.8 billion in the 2003/04 fiscal year, far below the level of income the State expected to receive for that budget year. On January 16, 2003, the State Legislative Analyst's Office announced that the Governor had overstated the budget shortfall by as much as $8 billion.

The Proposed 2003/04 Budget contains substantial reductions in spending including a decrease in K-12 education spending which accounts for 23.9 percent of the reductions proposed to close the budget gap. While the Governor's proposed K-12 education budget preserves core instructional programs and adheres to the Proposition 98 funding requirements, the significant drop in General Fund revenues as a result of the economic climate results in reduced funding even in the highest priority programs. Total 2003/04 fiscal year K-12 funding from all sources is proposed at $53.0 billion, a $496.8 million decrease from the 2002/03 fiscal year. The most significant reason for the decline in year-over-year total funding is a one-time suspension of State Teachers' Retirement System contributions. Total 2003/04 per-pupil expenditures from all sources are $8,899, down $173 from the 2002/03 fiscal year level. Proposition 98 per-pupil spending for the 2003/04 fiscal year would increase to $6,708, which is $172 over the 2002/03 level. Total Proposition 98 support for K-12 education is proposed to increase by over $1.4 billion in the 2003/04 fiscal year, to $39.9 billion.

Proposed K-12 budget reductions include the following:

- **Additional Mid-Year Spending Reduction Proposals** - A $356.8 million one-time fund shift to use prior year savings; $98.8 million from eliminating Stage 3 child care; and $73.5 million from other specific reductions.

- **Categorical Programs and Block Grants** – To bring Proposition 98 funding to the Proposition 98 funding level in the 2002/03 fiscal year, $482 million has been proposed in additional savings by reducing certain K-12 categorical programs by an additional 7.46 percent in the 2002/03 fiscal year, continuing into the 2003/04 fiscal year. Over the two-year period, categorical program reductions would total $1.086 billion, with affected programs reduced by various percentages up to 12 percent.

- **Across-the-Board Reductions** – A reduction of $980.8 million has been proposed in the 3.66 percent reductions to all programs, including apportionments, proposed in December, 2002 which are slated to be continued throughout the 2003/04 fiscal year.

- **Other Reductions** – Other K-12 reductions include: (i) a savings of $886 million by not funding cost-of-living adjustments for Proposition 98 programs, including general purpose apportionments; (ii) $106 million in daily attendance-driven adjustments to categorical programs would not be funded, consistent with the decision to reduce these programs; and (iii) $870 million to be saved by not funding the cost of various new mandates identified by the Commission on State Mandates and deficiencies for mandated programs that have been reported by the State Controller.

K-12 budget increases include the following;

- **Enrollment Growth** – For the 2002/03 fiscal year, total K-12 ADA is estimated to be 5,895,275. This reflects an increase of 1.48 percent over the 2001/02 fiscal year. For the 2003/04 budget year, total K-12 ADA is estimated to be 5,954,154, or 1.00 percent over the 2002/03 fiscal year.

- **Apportionment Growth** – Statutory enrollment growth funding is allocated at $358.7 million for District and county offices of education apportionments ($321.5 million) and special education ($37.2 million) is to be fully funded.

- **Public Employees' Retirement System (PERS)** – The Proposed 2003/04 Budget fully funds the estimated $381.7 million increase in the PERS school employer contribution rate.

- **Unemployment Insurance** – The Proposed 2003/04 Budget provides full funding for the estimated $35.2 million increase in local education agency Unemployment Insurance reimbursements.

- **Equalization** - The Proposed 2003/04 Budget provides funding of $250 million for District revenue limit equalization, representing an increase of $47 million over the amount appropriated in the 2002/03 fiscal year.

- **Special Education** - The Proposed 2003/04 Budget also provides sufficient funding between the 2002/03 and 2003/04 fiscal years to fully fund the State's statutory share of costs. The Proposed 2003/04 Budget also provides $8.99 million in one-time funds to fully fund the 2001/02 deficit in Special Education due to ADA increases.

- Special Education due to ADA increases.

2003/04 May Revision

On May 14, 2003, the Governor released his 2003/2004 May Revision (the "May Revision") to the proposed 2003/04 budget. The May Revision budget plan reflects a major change in how the administration proposes to deal with the State's budget shortfall. In contrast to his January budget proposal, which attempted to solve the budgetary problem in an 18-month period, the Governor's May Revision adopts a multi-year approach, which relies on much more borrowing and relatively less on near-term spending reductions.

In its first extraordinary session, the Legislature rejected much of the Governor's proposed mid-year reductions – including $1.5 billion in across-the-board K-12 cuts and about half of the proposed specific community college reductions. Instead, the Legislature deferred $1.2 billion in funding from June 2003 to July 2003, and found additional one-time program savings. The Governor's May Revision reflects this very different starting place. It proposes a $38 million increase in current-year Proposition 98 funding (primarily reflecting higher student attendance) despite a slight decline in the Proposition 98 minimum guarantee ($84 million) for 2002/03.

In 2003/04, the Governor proposes appropriating $45.6 billion for Proposition 98 – right at the projected minimum guarantee level. This is $1.5 billion above the January level. The minimum guarantee has increased because the Governor (1) rescinded his child care realignment proposal and (2) projects increases in General Fund revenues, per capita personal income, and student attendance in 2003/04. The Governor also proposes continuing the $1.2 billion in Proposition 98 deferrals from 2003/04 to 2004/05.

The May Revision restores $262 million of a $612 million reduction to revenue limit funding, leaving a $350 million (1.2 percent) cut. It also replaces across-the-board reductions to categorical programs with more targeted reductions (including state mandate reimbursements, supplemental instruction and supplemental grants) and the elimination of numerous programs. In addition, the Governor provides $184 million for additional K-12 attendance and $58 million for higher Public Employee's Retirement System costs. The Governor eliminates the proposed $250 million in funding for revenue limit equalization.

The Governor now proposes $806.9 million (Proposition 98 funding) for various child care programs that were initially proposed in January for realignment. This amount includes funding for the child care needs of former CalWORKs families expected to be eligible for State 3 child care in the budget year. In order to accommodate increased child care costs within Proposition 98, the Governor proposes to reform the State's subsidized child care system by modifying current eligibility rules, reimbursement rate limits and family fees.

The May Revision proposes to spend $69 million in federal funds to partially offset state-mandated mental health services that are provided through county mental health agencies. Currently, county agencies provide mental health services that are required as part of a special education student's Individual Education Plan. In past years, these mandated costs have exceeded $100 million annually. The specifics of this proposed new funding arrangement are yet to be determined.

For the California Community Colleges, the May Revision increases Proposition 98 expenditures by $304.1 million above the level proposed in January. About half ($154.7 million) of this amount is due to costs associated with reducing the proposed student fee increase by $6 per unit. (The January budget proposed to increase the per unit fee from $11 to $24; the May Revision now proposes and $18 per unit fee.) The other half of the increase is due to the withdrawal of proposed cuts to apportionment funding ($66.6 million), the restoration of funding for several categorical programs ($29.6 million), and the restoration of most funding for concurrent enrollment ($55 million), as well as some minor technical changes. In total, the May Revision would provide funding for about 40,000 more full-time equivalent students than the level proposed in January.

Final State Budget

The final 2003/04 State Budget is likely to be passed and adopted by the State Legislature subsequent to the date on which the District approves its final 2003/04 budget such that its approved budget will not take into account certain final provisions of the State Budget. In light of those final changes, the District is likely to reevaluate and, if necessary, amend its budget for the 2003/04 fiscal year.

It is unclear how the final adopted budget will differ from the Governor's Proposed 2003/04 Budget and May Revision and no prediction can be made as to what measure will be incorporated in the final adopted 2003/04 State Budget to resolve the current projected budget deficit for the 2003/04 fiscal year. The final adopted 2003/04 budget may further adversely affect the cash flows for the District that have been projected for that fiscal year. In addition, the fiscal impact of the budget bill, and the trailer bills, upon the District will remain unclear until all such bills are approved by the Legislature and the Governor. Accordingly, the District cannot predict the final outcome of the 2003/04 State budget negotiations, the impact that the 2003/04 budget will have on its finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. However, the District, in formulating its budget for 2003/04, has reduced certain budgeted expenditures by $6.5 million in anticipation of reduced funding by the State.

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" below.

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

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

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

Ad Valorem Property Taxes

All property is assessed using full cash value as defined by Article 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

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 2003/04.

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

	1998/99	1999/00	2000/01	2001/02	2002/03
Chula Vista Elementary School	.00000	.02479	.02515	.02396	.02645
Sweetwater Union High School District	.00000	.00000	.00000	.02527	.02196
Otay Water District	.10000	.10000	.06000	.02000	.01500
Metro Water District	.00890	.00890	.00880	.00770	.00670
County Water Authority	.00107	.00100	.00091	.00083	.00075
Southwestern Community College District	.00000	.00000	.00000	.01544	.01304
General	1.00000	1.00000	1.00000	1.00000	1.00000
	1.10997	1.13469	1.09486	1.09320	1.08390

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 2002/03 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. / B.F. Goodrich Aerospace	Industrial	$ 182,392,663	0.98%
2.	Plaza Bonita LLC	Shopping Center	130,436,100	0.70
3.	Duke Energy South Bay LLC	Power Plant	93,610,002	0.50
4.	Corrections Corp of America	Correctional Facilities	82,629,219	0.44
5.	CV Center LLC	Shopping Center	61,952,493	0.33
6.	Kaiser Foundation Health Plan Inc.	Medical Offices	56,907,389	0.31
7.	The Price Co.	Commercial Store	44,339,751	0.24
8.	Otay Project LP	Vacant Land	44,019,356	0.24
9.	Eastlake Company LLC	Vacant Land	42,847,344	0.23
10.	Gateway Town Center LP	Apartments	41,807,866	0.22
11.	Scripps Health (2)	Hospital/Medical Buildings	39,223,156	0.21
12.	Vons Companies Inc.	Commercial Store	37,925,816	0.20
13.	BRE Properties Inc.	Apartments	35,677,685	0.19
14.	Brookfield Shea Otay LLC	Vacant Land	34,382,098	0.18
15.	Maxell Corporation of America	Industrial	33,240,402	0.18
16.	McMillin Rolling Hills Ranch LLC	Residential Development	32,297,713	0.17
17.	Sanyo North America Corp.	Industrial	32,094,704	0.17
18.	Home Depot USA Inc.	Commercial Store	29,885,873	0.16
19.	Wells Fargo Bank	Commercial Properties	29,427,537	0.16
20.	California State Teachers Retirement System	Apartments	28,617,583	0.15
			$1,113,714,750	5.98%

(1) 2002/03 Local Secured Assessed Valuation: $18,637,621,607

(2) Taxable property only.

Source: California Municipal Statistics, Inc.

District Expenditures

Employee salaries and benefits account for over 80% of the District's General Fund expenditures. In fiscal year 2002/03, the District has 2,385 certificated employees and 1,512 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 STRS contribution for 2002 was $10,439,007. There was no required CalPERS contribution for 2002.

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 2002, expenditures of $938,695 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 2002.

The approximate accumulated future liability for post-employment benefits for the District at June 30, 2002, was $4,466,967.

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, 2004
Supervisors	NAGE	June 30, 2003

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

Risk Management

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

Real and personal property coverage covers direct physical loss or damage to real or personal property and is subject to a coverage limit of $2,606,290,660 per occurrence. The District's deductible for a real property loss is $10,000 per occurrence and for theft or vandalism of personal property is $500 per occurrence. A $100,000 self-insured retention applies to each occurrence prior to any payments by insurance carriers. Primary insurance limits for general liability/wrongful acts and auto liability is $1,000,000 per occurrence and $14,000,000 per occurrence for excess insurance. Wrongful act primary insurance is subject to a $15,000,000 annual aggregate. No aggregate applies to the excess insurance layer. A self-insured retention of $100,000 applies to each occurrence prior to any payments by insurance carriers. Uninsured and underinsured motorists coverage is provided by the JPA with a limit of $60,000 per occurrence.

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

Capital Plan

The District has identified a capital facilities need of $230 million over the next 20 years to alleviate overcrowding, renovate and modernize exiting facilities and upgrade technology. To help fund this capital facilities need, voters in the District approved the issuance of $187 million General Obligation Bonds in a measure on the November 7, 2000 ballot. The first series of general obligation bonds in the principal amount of $38 million were issued in March 2001. The Bonds are the second series. The District contemplates issuing a third series in 2005 and a final series in 2007. In addition, the District will continue to apply for State aid under the Leroy Greene Lease - Purchase Construction Program to the extent funds become available for the purpose of funding the renovation projects.

Developer Fees

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

Collection of such fees followed a formal declaration by the Board of Trustees, which addressed the overcrowding of District schools as a result of new development. These fees were changed on January 1, 1987, following enactment of California Government Code Section 65995. The rate currently allowable is $1.93 per square foot of habitable space on domestic housing and $.31 per square foot on commercial/industrial developments. These square-foot amounts are adjusted periodically by the State for inflation. As of June 30, 2002, a balance of $1,893,189 existed in the District's Capital Facilities Funds.

TABLE NO. 6
SWEETWATER UNION HIGH SCHOOL DISTRICT
DEVELOPER FEES COLLECTED
FROM FISCAL YEAR 1991/1992 THROUGH 2001/2002

Fiscal Year	Mitigation Payments Collected
1991/92	$424,959
1992/93	345,954
1993/94	196,654
1994/95	233,271
1995/96	190,315
1996/97	150,337
1997/98	257,776
1998/99	381,647
1999/00	390,728
2000/01	514,850
2001/02	1,205,969

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 City 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 City 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, 2002. Table Nos. 7 and 8 summarize the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the District's General Fund for the fiscal years ending June 30, 1999 through June 30, 2002. The audited financial statements for fiscal year ended June 30, 2002 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 requirements of Statement No. 34 are effective in three phases based on a governmental agency's total annual revenues in the first fiscal year ending after June 15, 1999. Governmental agencies with total annual revenues (excluding extraordinary items) of $100 million or more (phase 1) were required to apply Statement No. 34 for periods beginning after June 15, 2001. Governmental agencies with at least $10 million but less than $100 million in revenues (phase 2) are required to apply Statement No. 34 for periods beginning after June 15, 2002. Governmental agencies with less than $10 million in revenues (phase 3) are required to apply Statement No. 34 for periods beginning after June 15, 2003. Governmental agencies that elect early implementation of Statement No. 34 for periods beginning before June 15, 2000, should also implement GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, at the same time. If a primary government chooses early implementation of Statement No. 34, all of its component units also should implement this standard early to provide the financial information required for the government-wide financial statements.

Prospective reporting of general infrastructure assets is required at the effective dates of Statement No. 34. Retroactive reporting of all major general governmental infrastructure assets is encouraged at that date. For phase 1 and phase 2 governmental agencies, retroactive reporting is required four years after the effective date on the basic provisions for all major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980. Phase 3 governmental agencies are encouraged to report infrastructure retroactively, but may elect to report general infrastructure prospectively only.

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

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

	1999	2000	2001	2002
;SETS				
sh	$ 3,685,137	$ 580,186	$27,380,467	$28,567,635
/estments	15,437,432	27,626,911	-	-
counts Receivable	6,740,853	6,994,652	8,432,274	11,539,597
ie from other funds	2,633,768	4,157,758	6,758,207	3,888,136
ores inventory	313,007	452,794	307,589	338,177
tal Assets	$28,810,197	$39,812,301	$42,878,537	$44,333,545
ABILITIES AND FUND BALANCES				
.IABILITIES				
counts Payable	$ 5,309,683	$ 9,920,098	$ 8,031,625	$ 5,268,386
e to other funds	976,689	4,992,040	4,457,535	3,887,954
ferred revenue	5,134,910	6,187,971	5,159,758	5,008,570
:al Liabilities	$11,421,282	$21,100,109	$17,648,918	$14,164,910
ND EQUITY				
'und balances:				
served	338,007	477,794	31,7339	338,177
stricted	-	-	9,771,252	-
volving cash	-	-	-	9,750
reserved				
Designated	12,595,576	12,670,581	10,033,359	7,993,047
Undesignated	4,455,332	5,563,817	5,107,669	21,827,661
al Fund Equity	17,388,915	18,712,192	25,229,619	30,168,635
al Liabilities and Fund Equity	$28,810,197	$39,812,301	$42,878,537	$44,333,545

ırce: Sweetwater Union High School District Annual Financial Report.

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

	1999	2000	2001	2002
REVENUES				
Revenue Limit Sources				
State Apportionment	$ 97,511,286	$100,460,526	$117,902,421	$130,076,676
Local sources	42,074,262	47,349,201	53,355,900	61,603,502
Total Revenue Limit Sources	139,585,548	147,809,727	171,258,321	191,680,178
Federal revenues	10,602,202	11,833,287	13,417,453	15,310,713
Other state revenues	32,885,754	37,375,095	51,973,672	34,785,809
Other local revenues	4,799,463	6,211,365	7,187,994	28,044,671
Tuition and transfers	365,426	507,635	-	-
Total Revenues	$188,238,393	$203,737,109	$243,837,440	$269,821,371
EXPENDITURES				
Current Expenditures				
Certificated salaries	$ 97,230,800	$103,939,017	$122,918,150	$136,106,548
Classified salaries	28,667,513	32,221,034	38,175,752	42,265,780
Employee benefits	23,668,508	25,857,677	31,003,984	38,819,722
Books and supplies	8,355,673	10,647,956	12,434,228	19,181,535
Services and other operating expenditures	17,246,337	15,953,751	18,103,563	19,929,977
Other outgo	2,500,035	3,081,663	4,351,698	2,875,045
Capital outlay	6,989,569	6,919,982	6,273,004	274,656
Direct support /indirect costs	-	-	(799,822)	-
Debt service - interest and other	1,242,339	1,286,500	-	-
Total Expenditures	$185,900,774	$199,907,580	$232,460,557	$259,453,263
EXCESS OF REVENUES OVER EXPENDITURES	$ 2,337,619	$ 3,829,529	$ 11,376,883	$ 10,368,108
OTHER FINANCING RESOURCES/(USES)				
Operating transfers in	$ 100,000	$ 50,000	$ -	$ -
Operating transfers out	(1,437,360)	(3,401,607)	(4,334,604)	(4,879,641)
Debt service	-	-	(810,600)	(549,341)
Other sources	1,658,873	845,355	285,748	(110)
Total Other Financing Sources/(Uses)	$ 321,513	($ 2,506,252)	($ 4,859,456)	($ 5,429,092)
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	2,659,132	1,323,277	6,517,427	4,939,016
FUND BALANCE, BEGINNING OF YEAR	$ 14,729,783	$ 17,388,915	$ 18,712,192	$ 25,229,619
FUND BALANCE, END OF YEAR	$ 17,388,915	$ 18,712,192	$ 25,229,619	$ 30,168,635

Source: Sweetwater Union High School District Annual Financial Report.

;an Diego County Investment Pool

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

1 accordance with Government Code Section 53600 et seq., the San Diego County Treasurer manages inds deposited with it by the District. Each county is required to invest such funds in accordance with 'alifornia Government Code Section 53601 et seq. In addition, counties are required to establish their wn investment policies which may impose limitations beyond those required by the Government Code.

ll investments in the San Diego County Treasurer's investment portfolio conform to the statutory equirements of Government Code Section 53601 et seq., authorities delegated by the County Board of upervisors and the Treasurer's investment policy.

;eneral

ursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the Treasurer the uthority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to one-year period and must be renewed annually by action of the Board of Supervisors. In addition to inds of the County (and the various departments in the County, such as Public Works and Public dministration), funds of certain local agencies within the County, including school districts in the ounty, are required under state law to be deposited into the County treasury ("Involuntary Depositors"). 1 addition, certain agencies, including community college districts, invest certain of their funds in the ounty treasury on a voluntary basis ("Voluntary Depositors" and together with the Involuntary 'epositors, the "Depositors"). Deposits made by the County and the various local agencies are ommingled in a pooled investment fund (the "Treasury Pool" or the "Pool"). No particular deposits are egregated for separate investment.

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

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

he Treasury Pool's Portfolio

he Treasury Pool's Portfolio. As of April 30, 2003, the securities in the Treasury Pool had a market ilue of $4,090,523,942 and a book value of $4,083,243,251, for a net unrealized gain of 0.28% of the ok value of the Treasury Pool, or $7,280,692. As of April 30, 2003, the weighted average maturity of e Pool portfolio was approximately 289 days.

ne duration for the Treasury Pool was 0.53 years as of April 30, 2003. "Duration" is a measure of the ice volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value the portfolio based upon a decrease or increase in interest rates. A duration of 0.53 means that for 'ery one percent increase in interest rates the market value of the portfolio would decrease by 0.53%.

As of April 30, 2003, approximately 2.9% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 3.7% by community colleges, 42.6% by the County, and 50% by K-12 school districts.

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

Investments of the Treasury Pool

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

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

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

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

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

Certain Information Relating to the Pool

The following table reflects information with respect to the Pool as of April 30, 2003. 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 April 30, 2003, the Pool necessarily would have received the values specified.

SAN DIEGO COUNTY INVESTMENT POOL PORTFOLIO INFORMATION
AS OF APRIL 30, 2003

	Percent of Portfolio	Book Value	Market Price	Accrued Interest	Market Value	Unrealized Gain/Loss	Yield To Maturity	Weighted Average Days To Maturity
Federal Farm Credit Bank Notes	0.61%	25,000,000	100.04%	9,965	25,008,993	$8,993	2.05	908
Federal Home Loan Bank Notes	6.07	247,359,970	100.57	1,249,728	248,397,964	1,037,994	2.44	657
Federal National Mortgage Assoc. Notes	12.06	490,502,493	101.15	3,276,206	493,214,455	2,711,962	2.54	817
Federal Home Loan Mortgage Corp. Notes	13.85	563,511,682	100.52	4,336,480	566,443,344	2,931,862	2.84	704
Student Loan Marketing Assoc. Notes	1.23	50,000,000	100.62	17,708	50,308,475	308,475	2.13	726
Corporate Medium Term Notes	0.66	27,130,514	100.15	553,050	27,139,589	9,076	1.76	101
Money Market Funds	2.91	119,100,000	100.00	373,599	119,100,000	0	1.19	1
Repurchase Agreements	9.17	375,000,000	100.00	15,003	375,000,000	0	1.44	1
Negotiable Certificates of Deposit	13.46	549,998,433	100.08	4,254,889	550,429,969	431,535	1.68	175
Commercial Paper	39.97	1,635,248,159	99.85	0	1,635,089,154	(159,005)	1.27	40
Collateralized Certificates of Deposit	0.01	392,000	100.00	4,620	392,000	0	2.21	112
Totals for April 2003	100.00%	$4,083,243,251	100.24%	$14,091,249	$4,090,523,942	$7,280,692	1.80%	289
Totals for March 2003	100.00%	$3,488,820,927	100.28%	$16,358,306	$3,495,024,081	$6,203,155	2.02%	344
Change From Prior Month		$594,422,324	(0.04%)		$595,499,861	$1,077,537	(0.23%)	54

Overall Portfolio Effective Duration 0.53 years

	April 2003 Return	Annualized	Fiscal Year To Date Return	Annualized	Calendar Year To Date Return	Annualized
Book Value	0.158%	1.923%	2.087%	2.506%	0.702%	2.136%
Market Value	0.197%	2.401%	2.001%	2.402%	0.647%	1.969%

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

DEBT STRUCTURE

Outstanding Indebtedness of the District

The District had outstanding indebtedness as of June 30, 2002 as shown in Table No. 12. **The District has incurred additional indebtedness subsequent to June 30, 2002 as described below.**

TABLE NO. 9
SWEETWATER UNION HIGH SCHOOL DISTRICT
OUTSTANDING INDEBTEDNESS
AS OF JUNE 30, 2002

Category of Indebtedness	Original Issue	Amount Outstanding	Final Maturity
(1) General Obligation Bonds	$38,000,000	$38,000,000	2025
(2) 1997 Certificates of Participation	5,185,000	4,235,000	2022
(3) 2000 Certificates of Participation	21,700,000	21,700,000	2013
(4) 2001 Certificates of Participation	42,875,000	42,875,000	2025
(5) Capital Leases	N/A	269,798	2005
(6) 1995 Special Tax Bonds	31,365,000	25,665,000	2015
(7) 1997 Special Tax Bonds	19,250,000	19,250,000	2022
(8) Postemployment benefits	N/A	4,466,967	Indefinite
(9) Accumulated Vacation	N/A	3,972,186	Indefinite

(1) The District issued General Obligation Bonds in March 2001 secured by ad valorem property taxes District-wide. The Bonds are the second 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 the 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 Certificates and the 2002 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 Capital Leases are payable from under various lease agreements for buses.

(6) The 1995 Special Tax Bonds were refunded on June 4, 2003 with proceeds of the District's $23,700,000 Certificates of Participation, Series 2003 Refinancing. 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 2002 Certificates (described below) and the 2001 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 1997 Special Tax Bonds were issued on behalf of the District through the Y/S School Facilities Financing Authority. The 1997 Special Tax Bonds are secured by a lien on Special Taxes from Community Facilities Districts Nos. 1 through 5. The lien of the 1997 Special Tax Bonds on the Special Taxes is on a parity with the lien of the Pledge Agreement. In the event that the Special Taxes allocable to the 1997 Special Tax Bonds are insufficient to pay the debt service on the 1997 Special Tax Bonds, the District has pledged lease payments to the 1997 Special Tax Bonds. Such lease payments are payable from any source of legally available funds of the District. Currently, annual debt service is approximately $1,300,000.

(8) Represents that portion of postretirement benefits not expected to be paid during the current fiscal year.

(9) Represents that portion of accumulated leave not expected to be paid during the current fiscal year.

In December 2002, the District issued $55,940,000 Certificates of Participation, Series 2002. The 2002 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 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 2003 Certificates described under paragraph (6) above and the 2001 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.

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 April 1, 2003. The Debt Report is included for general information purposes only. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations are not payable from District's General Fund nor are they necessarily obligations secured by property within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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

2002/03 Assessed Valuation:	$19,384,849,824
Redevelopment Incremental Valuation:	1,672,458,233
Adjusted Assessed Valuation:	$17,712,391,591

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/03
San Diego County Water Authority	8.311%	$ 136,716
Metropolitan Water District	1.497	6,651,096
Otay Municipal Water District, Improvement District No. 27	100.	10,640,000
Southwestern Community College District	82.839	32,754,541
Sweetwater Union High School District	100.	36,115,000
Chula Vista City School District	100.	50,665,000
San Ysidro School District	100.	19,150,000
South Bay Union School District	100.	7,466,918
City of San Diego	3.726	584,609
San Diego Open Space Park District	3.726	1,359,059
Y/S School Facilities Financing Authority Sweetwater Project	100.	141,230,000 (1)
Y/S School Facilities Financing Authority Chula Vista School Project	100.	8,375,000
City of Chula Vista Community Facilities Districts	100.	113,400,000
City of Chula Vista 1915 Act Bonds	100.	58,048,787
Other Cities 1915 Act Bonds	15.590-100.	15,824,118
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		$502,400,844
Less: City of San Diego Open Space Park District self-supporting bonds		1,359,059
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		$501,041,785

(1) Includes $23,700,00 refunding certificates of participation dated June 2003, excludes issue refunded.

(Continued on next page)

(Continued from previous page)

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:	% Applicable	Debt 4/1/03
San Diego County General Fund Obligations	8.394%	$ 40,964,295
San Diego County Pension Obligations	8.394	69,199,716
San Diego County Superintendent of Schools Certificates of Participation	8.394	173,546
Otay Municipal Water District Certificates of Participation	66.345	17,269,604
San Diego and Southwestern Community College District General Fund Obligations	0.004 & 82.839	2,863,766
Sweetwater Union High School District Certificates of Participation	**100.**	**24,015,000**
Chula Vista City School District Certificates of Participation	100.	79,335,000
San Ysidro School District Certificates of Participation	100.	9,765,000
South Bay Union School District Certificates of Participation	100.	3,990,000
City of Chula Vista Certificates of Participation	100.	92,905,000
City of Chula Vista Pension Obligations	100.	13,231,566
City of National City Certificates of Participation	100.	5,365,000
City of San Diego General Fund Obligations	3.726	20,543,860
San Miguel Consolidated Fire Protection District Certificates of Participation	0.325	32,988
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$379,654,341
Less: Otay Municipal Water District Certificates of Participation		17,269,604
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$362,384,737
GROSS COMBINED TOTAL DEBT		$882,055,185 (1)
NET COMBINED TOTAL DEBT		$863,426,522

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

Ratios to 2002/03 Assessed Valuation:

- Direct Debt ($36,115,000) 0.19%
- Total Gross Overlapping Tax and Assessment Debt 2.59%
- Total Net Overlapping Tax and Assessment Debt 2.58%

Ratios to Adjusted Assessed Valuation:

- Combined Direct Debt ($60,130,000) 0.34%
- Gross Combined Total Debt 4.98%
- Net Combined Total Debt 4.87%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: $2,696,121

Source: California Municipal Statistics, Inc.

Scheduled Debt Service on the Bonds

The following is the scheduled Debt Service on the Bonds.

Payment Date	Principal	Interest	Semi-Annual Payment	Annual Payment
February 1, 2004	$ -	$ 1,227,424.94	$ 1,227,424.94	$ -
August 1, 2004	-	1,093,745.00	1,093,745.00	2,321,169.94
February 1, 2005	-	1,093,745.00	1,093,745.00	-
August 1, 2005	-	1,093,745.00	1,093,745.00	2,187,490.00
February 1, 2006	-	1,093,745.00	1,093,745.00	-
August 1, 2006	-	1,093,745.00	1,093,745.00	2,187,490.00
February 1, 2007	-	1,093,745.00	1,093,745.00	-
August 1, 2007	-	1,093,745.00	1,093,745.00	2,187,490.00
February 1, 2008	-	1,093,745.00	1,093,745.00	-
August 1, 2008	525,000.00	1,093,745.00	1,618,745.00	2,712,490.00
February 1, 2009	-	1,085,870.00	1,085,870.00	-
August 1, 2009	630,000.00	1,085,870.00	1,715,870.00	2,801,740.00
February 1, 2010	-	1,076,420.00	1,076,420.00	-
August 1, 2010	745,000.00	1,076,420.00	1,821,420.00	2,897,840.00
February 1, 2011	-	1,064,313.75	1,064,313.75	-
August 1, 2011	870,000.00	1,064,313.75	1,934,313.75	2,998,627.50
February 1, 2012	-	1,049,088.75	1,049,088.75	-
August 1, 2012	995,000.00	1,049,088.75	2,044,088.75	3,093,177.50
February 1, 2013	-	1,029,188.75	1,029,188.75	-
August 1, 2013	1,130,000.00	1,029,188.75	2,159,188.75	3,188,377.50
February 1, 2014	-	1,006,588.75	1,006,588.75	-
August 1, 2014	1,270,000.00	1,006,588.75	2,276,588.75	3,283,177.50
February 1, 2015	-	981,188.75	981,188.75	-
August 1, 2015	1,420,000.00	981,188.75	2,401,188.75	3,382,377.50
February 1, 2016	-	952,788.75	952,788.75	-
August 1, 2016	1,580,000.00	952,788.75	2,532,788.75	3,485,577.50
February 1, 2017	-	921,188.75	921,188.75	-
August 1, 2017	1,745,000.00	921,188.75	2,666,188.75	3,587,377.50
February 1, 2018	-	886,288.75	886,288.75	-
August 1, 2018	1,920,000.00	886,288.75	2,806,288.75	3,692,577.50
February 1, 2019	-	847,888.75	847,888.75	-
August 1, 2019	2,115,000.00	847,888.75	2,962,888.75	3,810,777.50
February 1, 2020	-	805,588.75	805,588.75	-
August 1, 2020	2,315,000.00	805,588.75	3,120,588.75	3,926,177.50
February 1, 2021	-	758,131.25	758,131.25	-
August 1, 2021	2,535,000.00	758,131.25	3,293,131.25	4,051,262.50
February 1, 2022	-	705,846.88	705,846.88	-
August 1, 2022	2,760,000.00	705,846.88	3,465,846.88	4,171,693.76
February 1, 2023	-	647,196.88	647,196.88	-
August 1, 2023	3,005,000.00	647,196.88	3,652,196.88	4,299,393.76
February 1, 2024	-	583,340.63	583,340.63	-
August 1, 2024	3,260,000.00	583,340.63	3,843,340.63	4,426,681.26
February 1, 2025	-	514,065.63	514,065.63	-
August 1, 2025	3,525,000.00	514,065.63	4,039,065.63	4,553,131.26
February 1, 2026	-	439,159.38	439,159.38	-
August 1, 2026	6,150,000.00	439,159.38	6,589,159.38	7,028,318.76
February 1, 2027	-	308,471.88	308,471.88	-
August 1, 2027	6,545,000.00	308,471.88	6,853,471.88	7,161,943.76
February 1, 2028	-	165,300.00	165,300.00	-
August 1, 2028	6,960,000.00	165,300.00	7,125,300.00	7,290,600.00
	$ 52,000,000.00	$ 42,726,960.00	$ 94,726,960.00	$ 94,726,960.00

LEGAL MATTERS

Enforceability of Remedies

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

Approval of Legal Proceedings

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

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

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

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

Tax Matters

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

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

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

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

Bond Counsel has expressed no opinion regarding any impact of the ownership of, receipt of interest with respect to, or disposition of the Bonds other than as expressly described above. Prospective purchasers of the Bonds should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest with respect to, or disposition of the Bonds may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, the portion of a holder's interest expense allocable to interest relating to the Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest with respect to the Bonds; (iii) for taxable years beginning before January 1, 1996, interest with respect to the Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code; (iv) interest with respect to the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (v) passive investment income, including interest with respect to the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (vi) Section 86 of the Code requires recipients of certain social security and certain railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest with respect to the Bonds. The presence of any such effect, as well as the magnitude thereof, depends on the specific factual situation with respect to each particular 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 Ratings Services and Moody's Investors Service have assigned their ratings of "AAA" and "Aaa", respectively, to the Bonds with the understanding that a municipal bond insurance policy insuring payment when due of the principal of and interest on the Bonds will be issued on the closing date by MBIA Insurance Corporation. Such rating reflects only the views of the rating agency and any desired explanation of the significance of such rating should be obtained from the rating agency. Generally, a rating agency bases its rating on the insurance and the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds were sold to UBS Financial Services Inc. (the "Underwriter") at competitive sale, who is offering the Bonds at the prices set forth on the 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 Underwriter has purchased the Bonds at a price equal to $51,849,196.30, which amount represents the principal amount of the Bonds, plus an original issue premium of $217,876.30 and less an Underwriter's discount of $368,680.00. The Underwriter will pay certain of its expenses relating to the offering.

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, 2004 and to provide the audited General Purpose Financial Statements of the District for the fiscal year ending June 30, 2003 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 Finance Officer, 1130 Fifth Avenue, Chula Vista, California 91911.

References

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

Execution

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

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: /s/ Dr. Edward M. Brand
Superintendent

APPENDIX A
FORM OF BOND COUNSEL OPINION

Board of Trustees
Sweetwater Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $52,000,000 Sweetwater Union High School District Election of 2000 General Obligation Bonds, Series B (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

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

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

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

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

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

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

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

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

Respectfully submitted,

BEST BEST & KRIEGER LLP

APPENDIX B
DISTRICT AUDITED FINANCIAL STATEMENTS

Board of Trustees
Sweetwater Union High School District

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, 2002, 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, 2002, and the budgetary comparisons for the General Fund and the Adult Education Fund 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 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, 2002 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.

San Diego, California
November 14, 2002

SWEETWATER UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2002

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, 2002.

FINANCIAL HIGHLIGHTS

- The District's financial status 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 $13.6 million.
- General Fund revenues were $269,821,371, fully $15,797,200, more than expenses.
- The total cost of basic general education programs rose 11% to $259,453,263 in the General Fund.
- Sweetwater High, Mar Vista High and Chula Vista Middle School began a 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 2,032 or 6.2%. Adult education ADA increased by 554 or 9.2%.
- The District reduced its outstanding long-term debt $1.25 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 financials 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

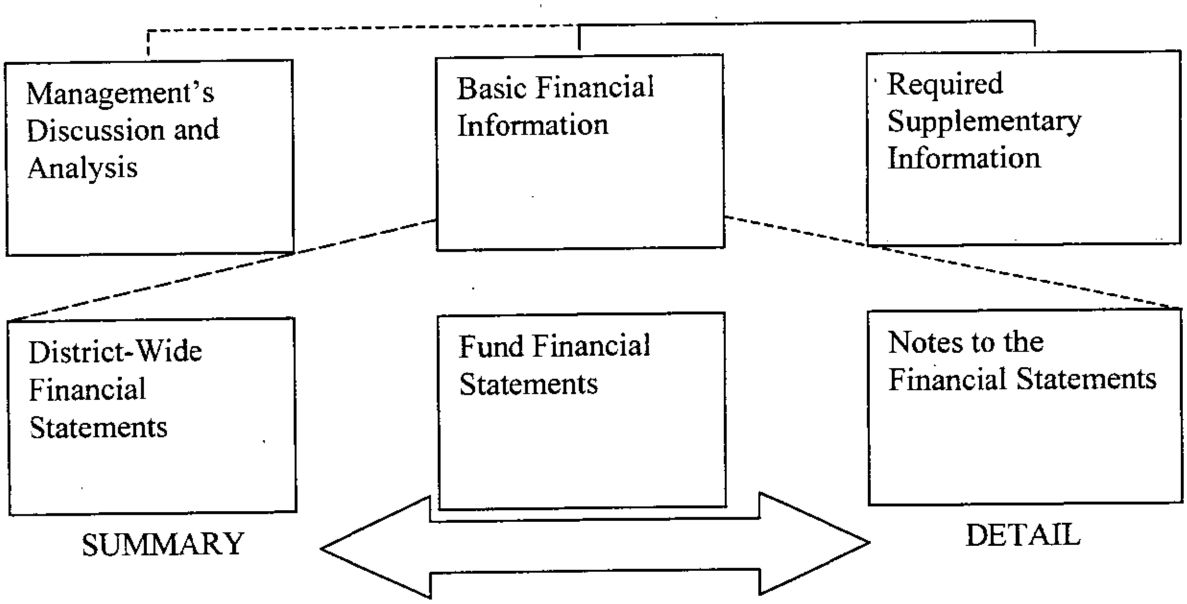

Figure A-2 on the next page summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain.

VERVIEW 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

e remainder of this overview section of management's discussion and analysis highlights the ucture 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

ınd Financial Statements (continued)

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

'INANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were significantly larger on June 30, '02, than they were the year before – increasing more than 11% to $135,266,886. (See Table ·1.)

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

	Governmental Activities		Total Percentage Change
	2001	2002	2001-2002
Current and other assets	$196,835,659	$151,312,479	23%
Capital assets	104,199,715	164,578,633	58%
Total assets	$301,035,374	$315,891,112	5%
Long-term debt outstanding	162,325,036	160,433,951	(1%)
Other liabilities	17,033,965	20,190,275	19%
Total liabilities	179,359,001	180,624,226	<1%
Net assets			
Invested in capital assets, Net of related debt	37,152,430	78,416,102	111%
Restricted for categorical programs	9,771,252	7,601,518	22%
Restricted for capital projects	149,812,879	65,832,267	(56%)
Unrestricted	(75,060,188)	(16,583,001)	78%
Total net assets	$121,676,373	$135,266,886	11%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

The District's improved financial position is the result of $72 million invested in capital improvements (net of depreciation expense). Offsetting the capital improvements is a reduction of $46 million, due to the one-time receipt of State construction funds in the prior year.

Changes in net assets, governmental activities. The District's government-wide revenues decreased 4.2% to $311 million. (See Table A-2) State Proposition 1A construction funds received in 2000-01 accounts for a $46 million decrease in funding. This funding was one-time in nature and used solely for construction projects. Offsetting the Proposition 1A reduction was an increase in property taxes and state formula aid of 3.9%, with, cost-of-living increase and enrollment growth.

The total cost of all programs and services rose 15.5% to $298 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
	2001	**2002**	**2001-2002**
Revenues	$325,122,565	$311,499,755	(4.2%)
Expenses	257,947,507	297,909,242	15.5%
Increase (decrease in net assets)	$ 67,175,058	$ 13,590,513	(79.8%)

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 $131 million, well below last year's ending fund balance of $180 million. The District's general and special revenue funds had slightly more revenues than expenditures in 2002, but the capital projects funds had significantly more expenditures than revenues due to the heavy outlay of funds for construction projects.

:NANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

eneral Fund Budgetary Highlights

/er the course of the year, the District revised the annual operating budget several times. The ajor budget amendments fall into these categories:

- Revenues – increased by $28 million primarily to reflect federal and state budget actions
- Salaries and benefits costs – increased $23 million with negotiated settlements, increased benefits costs and with new positions added for enrollment growth
- Other non-capital expenses – increased $25 million to re-budget carryover funds and revise operational cost estimates

hile the District's final budget for the general fund anticipated revenues and expenditures ould be roughly equal to a ($16.8) million ending balance, the actual results for the year show a .9 million surplus. Actual revenues were $706,000 higher than expected. The actual penditures were $21.8 million below budget.

APITAL ASSET AND DEBT ADMINISTRATION

ıpital Assets

' the end of 2002 the District had invested $72 million in a broad range of capital assets, :luding construction and/or modernization of San Ysidro High, Mar Vista High, Sweetwater gh, and Chula Vista Middle. (More detailed information about capital assets can be found in ›te 5 to the financial statements.) Total depreciation expense for the year exceeded $2.9 llion, additions to capital assets amounted to $72 million and $12 million in work in progress ıs put into service.

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

	Governmental Activities		Total Percentage Change
	2001	2002	2001-2002
nd	$ 26,017,878	$ 26,018,163	<1%
nstruction in progress	21,766,811	70,930,481	226%
e improvements	5,189,800	5,221,200	(<1%)
ildings	85,374,242	98,903,823	16%
uipment and furniture	8,248,191	8,840,217	7%
Total	$146,596,922	$209,913,883	43%

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

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 spending 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 $160 million in general obligation bonds, special tax revenue bonds, certificates of participation, capital leases and employment benefits – a reduction of 1% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

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

	Total School District		Total Percentage Change
	2001	**2002**	**2001-2002**
General obligation bonds	$ 38,000,000	$ 38,000,000	0%
Special tax revenue bonds	88,880,000	87,790,000	(1%)
Certificates of participation	26,330,000	25,935,000	(2%)
Capital leases	351,384	269,798	(23%)
Other	8,763,652	8,439,153	(4%)
Total	$162,325,036	$160,433,951	(1%)

CTORS BEARING ON THE DISTRICT'S FUTURE

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

NTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

s financial report is designed to provide our citizens, taxpayers, customers, investors and litors with a general overview of the District's finances and to demonstrate the District's ountability for the money it receives. If you have any questions about this report or need itional 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, 2002

		Total Governmental Activities
ASSETS		
Cash	$	70,034,556
Investments		65,550,887
Accounts receivable		15,203,518
Prepaid expenses		54,949
Inventories		468,569
Capital assets:		
Land		26,018,163
Improvement of sites		5,221,200
Buildings		98,903,823
Furniture and equipment		8,840,217
Work in progress		70,930,481
Less accumulated depreciation		(45,335,251)
Total capital assets, net of depreciation	$	164,578,633
Total assets	$	315,891,112
LIABILITIES		
Accounts payable and current liabilities	$	14,879,724
Deferred revenues		5,310,551
Long-term liabilities:		
Portion due or payable within one year:		
General obligation bonds payable		1,885,000
Special tax revenue bonds payable		1,745,000
Certificates of participation payable		1,920,000
Compensated absences payable		795,000
Postretirement benefits payables		1,610,467
Capital leases payable		85,624
Portion due or payable after one year:		
General obligation bonds payable		36,115,000
Special tax revenue bonds payable		86,045,000
Certificates of participation payable		24,015,000
Compensated absences payable		3,177,186
Postretirement benefits payables		2,856,500
Capital leases payable		184,174
Total liabilities		180,624,226
NET ASSETS		
Invested in capital assets, net of related debt		78,416,102
Restricted for:		
Capital Projects		65,832,267
Categorical programs		7,601,518
Unrestricted		(16,583,001)
Total Net Assets	$	135,266,886

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

ETWATER UNION HIGH SCHOOL DISTRICT
ment of Activities
ıe Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
:ional Services:				
:uction	$ 165,828,123	$ 782,452	$ 49,386,855	$ (115,658,816)
:uction-Related Services:				
;upervision of instruction	14,272,929	230,251	8,260,472	(5,782,206)
nstructional library, media and technology	6,855,966	25,253	3,398,098	(3,432,615)
;chool site administration	26,150,862	5,384	3,632,122	(22,513,356)
upport Services:				-
ıe-to-school transportation	5,719,327	1,740,773	4,135,282	156,728
d services	6,333,199	2,183,727	5,190,057	1,040,585
ɔther pupil services	17,022,053	61,532	3,989,830	(12,970,691)
l Administration Services:				-
ı processing services	1,735,844	-	-	(1,735,844)
:r general administration	12,826,056	29,780	1,181,211	(11,615,065)
:rvices	28,653,452	26,906	3,214,449	(25,412,097)
acquisition and construction	3,060,674	-	101,249	(2,959,425)
ry services	2,960,018	-	-	(2,960,018)
ınity services	661,047	29,442	343,279	(288,326)
on long-term debt	5,064,555	-	-	(5,064,555)
utgo	765,137	17,282	568,296	(179,559)
Total Governmental Activities	$ 297,909,242	$ 5,132,782	$ 83,401,200	$ (209,375,260)

General Revenues:	
Taxes:	
Property taxes, levied for general purposes	55,460,438
Property taxes, levied for special purposes	9,699,434
Federal and state aid not restricted to specific purpose	140,825,530
Interest and investment earnings	6,572,762
Transfers	1,878,735
Miscellaneous	8,528,874
Total general revenues	222,965,773
Change in net assets	13,590,513
Net assets - July 1, 2001	121,676,373
Net assets - June 30, 2002	$ 135,266,886

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

SWEETWATER UNION HIGH SCHOOL DISTRICT
Balance Sheet
Governmental Funds
As of June 30, 2002

	General Fund	Adult Education Fund	Building Fund	County School Facilities Fund	Community Facilities Districts	Other Funds	Total Governmental Funds
ASSETS							
Cash	$ 28,567,635	$ 989,641	$ 2,628,362	$ 12,445,702	$ 9,084,081	$ 16,319,135	$ 70,034,556
Investments	-	-	17,813,780	-	38,736,383	9,000,724	65,550,887
Accounts receivable	11,539,597	622,192	737,610	61,898	-	2,242,221	15,203,518
Due from other funds	3,888,136	991,573	75,540	480,367	-	3,210,553	8,646,169
Inventories	338,177	-	-	-	-	130,392	468,569
Total Assets	$ 44,333,545	$ 2,603,406	$ 21,255,292	$ 12,987,967	$ 47,820,464	$ 30,903,025	$ 159,903,699
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	$ 5,268,386	$ 346,194	$ 3,113,589	$ 5,306,953	$ -	$ 844,602	$ 14,879,724
Due to other funds	3,887,954	1,934,346	-	75,541	-	2,748,328	8,646,169
Deferred revenue	5,008,570	301,981	-	-	-	-	5,310,551
Total Liabilities	14,164,910	2,582,521	3,113,589	5,382,494	-	3,592,930	28,836,444
Fund Balances							
Reserved for:							
Inventories	338,177	-	-	-	-		338,177
Revolving cash	9,750	-	-	-	-		9,750
Unreserved:							
Designated for economic uncertainties	7,993,047	-	-	-	-		7,993,047
Undesignated	21,827,661	20,885	18,141,703	7,605,473	47,820,464	27,310,095	122,726,281
Total Fund Balances	30,168,635	20,885	18,141,703	7,605,473	47,820,464	27,310,095	131,067,255
Total Liabilities and Fund Balances	$ 44,333,545	$ 2,603,406	$ 21,255,292	$ 12,987,967	$ 47,820,464	$ 30,903,025	$ 159,903,699

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
June 30, 2002

Total fund balances - governmental funds		$	131,067,255
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 $209,913,884 and the accumulated depreciation is $45,335,251.			164,578,633
To eliminate other financing sources, other financing uses, and expenditures relating to the issuance of debt, and instead reflect liabilities and unamortized issue costs on the statement of net assets.			54,949
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
General obligation bonds	38,000,000		
Special tax revenue bonds	87,790,000		
Certificates of participation	25,935,000		
Capital leases payable	269,798		
Compensated absences	3,972,186		
Postemployment benefits	4,466,967		(160,433,951)
Total net assets - governmental activities		**$**	**135,266,886**

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 Balance - Governmental Funds
For the Year Ended June 30, 2002

	General Fund	Adult Education Fund	Building Fund	County School Facilities Fund
REVENUES				
General Revenues:				
Property taxes	$ 55,465,080	$ -	$ -	$ -
Federal and state aid not restricted to specific purpose	140,825,530	-	-	-
Earnings on investments	1,171,877	57,186	2,083,114	1,461,971
Transfers from other agencies	1,878,735	-	-	-
Miscellaneous	4,776,185	1,071,999	-	618,171
Program Revenues:				
Charges for services	3,410,261	-	-	-
Operating grants and contribtions	62,293,703	15,454,058	-	-
Total revenues	269,821,371	16,583,243	2,083,114	2,080,142
EXPENDITURES				
Instructional Services:				
Instruction	156,832,890	9,317,632	-	-
Instruction-Related Services:				
Supervision of instruction	12,517,094	1,755,835	-	-
Instructional library, media and technology	6,271,837	584,129	-	-
School site administration	23,296,739	2,854,123	-	-
Pupil Support Services:				
Home-to-school transportation	5,040,881	-	-	-
Food services	11,528	-	-	-
All other pupil services	15,911,557	1,110,496	-	-
General Administration Services:				
Data processing services	1,735,844	-	-	-
Other general administration	11,475,072	448,387	-	-
Plant services	18,974,675	1,116,835	-	-
Facility acquisition and construction	3,197,701	64,947	23,275,855	36,088,100
Ancillary services	2,960,018	-	-	-
Community services	661,047	-	-	-
Other outgo:				
Transfers between agencies	274,656	-	-	-
Debt service - principal	481,947	-	-	-
Debt service - interest	17,393	-	-	-
Debt service - issuance costs and discounts	54,949	-	-	-
All other outgo	(262,565)	-	-	-
Total Expenditures	259,453,263	17,252,384	23,275,855	36,088,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,368,108	(669,141)	(21,192,741)	(34,007,958)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	972,206	1,369,820	-
Interfund transfers out	(5,429,092)	(282,180)	-	(4,769,820)
Total Other Financing Sources and Uses	(5,429,092)	690,026	1,369,820	(4,769,820)
Net Change in Fund Balances	4,939,016	20,885	(19,822,921)	(38,777,778)
Fund Balances, July 1, 2001, as originally stated	25,229,619	78,729	37,964,624	46,383,251
Adjustment for restatements	-	(78,729)	-	-
Fund Balances, July 1, 2001, as restated	25,229,619	-	37,964,624	46,383,251
Fund Balances, June 30, 2002	$ 30,168,635	$ 20,885	$ 18,141,703	$ 7,605,473

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 Balance - Governmental Funds
For the Year Ended June 30, 2002

	Community Facilities District	Other Funds	Total Governmental Funds
REVENUES			
General Revenues:			
Property taxes	$ 9,694,792	$ -	$ 65,159,872
Federal and state aid not restricted to specific purpose	-	-	140,825,530
Earnings on investments	1,280,587	518,027	6,572,762
Transfers from other agencies	-	-	1,878,735
Miscellaneous	59,431	2,003,088	8,528,874
Program Revenues:			
Charges for services	-	1,722,521	5,132,782
Operating grants and contribtions	-	5,653,440	83,401,201
Total revenues	11,034,810	9,897,076	311,499,756
EXPENDITURES			
Instructional Services:			
Instruction	-	-	166,150,522
Instruction-Related Services:			
Supervision of instruction	-	-	14,272,929
Instructional library, media and technology	-	-	6,855,966
School site administration	-	-	26,150,862
Pupil Support Services:			
Home-to-school transportation	-	-	5,040,881
Food services	-	6,317,599	6,329,127
All other pupil services	-	-	17,022,053
General Administration Services:			
Data processing services	-	-	1,735,844
Other general administration	356,982	569,452	12,849,893
Plant services	5,110,018	3,955,090	29,156,618
Facility acquisition and construction		968,504	63,595,107
Ancillary services	-	-	2,960,018
Community services	-	-	661,047
Other outgo:			
Transfers between agencies	-	603,046	877,702
Debt service - principal	1,090,000	395,000	1,966,947
Debt service - interest	4,433,566	613,596	5,064,555
Debt service - issuance costs and discounts	-	-	54,949
All other outgo	150,000		(112,565)
Total Expenditures	11,140,566	13,422,287	360,632,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,756)	(3,525,211)	(49,132,699)
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	11,460,959	13,802,985
Interfund transfers out	-	(3,321,893)	(13,802,985)
Total Other Financing Sources and Uses	-	8,139,066	-
Net Change in Fund Balances	(105,756)	4,613,855	(49,132,699)
Fund Balances, July 1, 2001, as originally stated	47,926,220	22,696,240	180,278,683
Adjustment for restatements	-	-	(78,729)
Fund Balances, July 1, 2001, as restated	47,926,220	22,696,240	180,199,954
Fund Balances, June 30, 2002	$ 47,820,464	$ 27,310,095	$ 131,067,255

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, 2002

Total net change in fund balances - governmental funds	$ (49,132,699)
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 ($63,316,962) exceeds depreciation expense ($2,938,044) in the period.	60,378,918
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*).	322,398
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,966,947
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.	54,949
Change in net assets of governmental activities	$ 13,590,513

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

ETWATER UNION HIGH SCHOOL DISTRICT
getary Comparison Schedule
eral Fund
the Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
nues				
venue Limit Sources	$ 180,666,920	$ 183,691,849	$ 191,680,178	$ 7,988,329
deral	10,686,668	14,059,116	15,310,713	1,251,597
her State	43,538,500	61,160,647	34,785,809	(26,374,838)
her Local	5,779,000	10,203,590	28,044,671	17,841,081
Revenues	240,671,088	269,115,202	269,821,371	706,169
nditures				
ertificated Salaries	124,509,705	134,611,121	136,106,548	(1,495,427)
lassified Salaries	40,420,799	45,428,409	42,265,779	3,162,630
mployee Benefits	35,432,715	43,857,363	38,819,723	5,037,640
ooks and Supplies	11,550,998	28,602,747	19,181,535	9,421,212
ervices and Other Operating Expenditures	15,775,733	24,086,504	19,929,977	4,156,527
apital Outlay	4,786,435	4,065,372	2,875,045	1,190,327
ther Outgo	4,228,017	969,390	274,656	694,734
l Expenditures	236,704,402	281,620,906	259,453,263	22,167,643
ss (Deficiency) of Revenues ver (Under) Expenditures	3,966,686	(12,505,704)	10,368,108	22,873,812
er Financing Sources and Uses				
nterfund Transfers Out	(4,727,250)	(4,240,537)	(5,429,092)	(1,188,555)
ss (Deficiency) of Revenues and Other inancing Sources Over (Under) xpenditures and Other Financing Uses	(760,564)	(16,746,241)	4,939,016	21,685,257
d Balances, July 1, 2001	25,229,619	25,229,619	25,229,619	-
d Balances, June 30, 2002	$ 24,469,055	$ 8,483,378	$ 30,168,635	$ 21,685,257

SWEETWATER UNION HIGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Adult Education Fund
For the Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue Limit Sources	$ 13,345,000	$ 13,345,000	$ 13,352,173	$ 7,173
Federal	1,044,800	2,483,824	1,885,901	(597,923)
Other State	750,000	1,256,699	671,653	(585,046)
Other Local	460,000	702,945	673,516	(29,429)
Total Revenues	15,599,800	17,788,468	16,583,243	(1,205,225)
Expenditures				
Certificated Salaries	7,655,379	8,845,624	9,432,584	(586,960)
Classified Salaries	2,905,786	3,429,428	2,960,334	469,094
Employee Benefits	2,520,337	3,304,044	2,678,979	625,065
Books and Supplies	878,794	1,559,087	1,311,695	247,392
Services and Other Operating Expenditures	670,256	1,417,862	799,631	618,231
Capital Outlay	295,405	117,548	69,161	48,387
Other Outgo	378,483	131,534	-	131,534
Total Expenditures	15,304,440	18,805,127	17,252,384	1,552,743
Excess (Deficiency) of Revenues Over (Under) Expenditures	295,360	(1,016,659)	(669,141)	347,518
Other Financing Sources and Uses				
Interfund Transfers In	-	750,000	972,206	222,206
Interfund Transfers Out	(282,166)	(282,166)	(282,180)	(14)
Total Other Financing Sources and Uses	(282,166)	467,834	690,026	222,192
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	13,194	(548,825)	20,885	569,710
Fund Balances, July 1, 2001, as originally stated	78,729	78,729	78,729	-
Adjustment for restatements	(78,729)	(78,729)	(78,729)	-
Fund Balances, July 1, 2001, as restated	-	-	-	-
Fund Balances, June 30, 2002	$ 13,194	$ (548,825)	$ 20,885	$ 569,710

SWEETWATER UNION HIGH SCHOOL DISTRICT
Statement of Fiduciary Net Assets
As of June 30, 2002

	Student Body Funds
ASSETS	
Cash and cash equivalents	$ 3,799,660
Other receivables	89,870
Inventories	149,810
Prepaid expenses	106,625
Total assets	$ 4,145,965
LIABILITIES	
Accounts payable and accrued liabilities	528,150
Due to student groups	1,567,079
Total liabilities	2,095,229
NET ASSETS	
Reserved for special purposes	256,435
Unreserved:	
Designated for special purposes	347,349
Undesignated	1,446,952
Total net assets	$ 2,050,736

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, 2002

	Student Body Funds
ADDITIONS	
Other Local	$ 4,689,691
Total Revenue	4,689,691
DEDUCTIONS	
Other Services & Operating Expenses	4,302,971
Total Expenditures	4,302,971
Change in net assets	386,720
Net assets - June 30, 2001, as originally stated	1,692,415
Adjustments for restatement	28,399
Net assets - June 30, 2001, as restated	1,664,016
Net assets - June 30, 2002	$ 2,050,736

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

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2002

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Scope of Public Service:

The corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California. The corporation was formed for the sole purpose of providing financial assistance to the District for the acquisition of certain real property and improvements. The District occupies the corporation facilities under a lease-purchase agreement effective through 2025. At the end of the lease term, title of all corporation property will pass to the District for no additional consideration.

Financial Presentation:

For financial presentation purposes, the corporation's and CFDs' financial activity have been blended, or combined, with the financial data of the District. The financial statements present the corporation's financial activity within the State School Building Lease-Purchase Fund. The financial statements of the CFDs are combined in the Community Facilities Districts Fund. Certificates of Participation issued by the corporation and Special Tax Revenue Bonds issued by the CFDs are included in the long-term liabilities.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. 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 two broad categories, four fund types and which in aggregate include eleven individual funds as follows:

OTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

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.

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 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.
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 six capital project funds:

1. The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.
2. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
3. The State School Building Lease-Purchase Fund is used to account for state apportionments provided for construction and modernization of school facilities.
4. The County School Facilities Fund is used to account for state apportionments provided for modernization of school facilities under SB50.
5. The Special Reserve Fund for Capital Outlay is used to account for proceeds received from the 2000 certificates of participation, the in-substance defeasance of capital leases and capital outlay.
6. The Community Facilities Districts Fund is used to separately present the financial activity of the Community Facilities Districts, as described in Note 1.A.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No.34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the statement include the following:

i. For the first time the financial statements include:

1. A Management Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations.

2. Financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure.

ii. A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District is implementing the general provisions of the statement in the current year.

D. Basis of Accounting

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

Accrual
Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt , if any, is recognized when due.

)TE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

F. 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.

G. 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, Liabilities, and Equity (continued)

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:

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 mats	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)

G. 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. Property Tax

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

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 AND INVESTMENTS

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 ($67,168,124 as of June 30, 2002). The fair market value of this pool as of June 30, 2002, as provided by the pool sponsor, was $67,466,350. 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.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand, in banks and in revolving fund ($2,866,432 as of June 30, 2002) are insured up to $100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

Investments

Investments at June 30, 2002, held on behalf of the Sweetwater Union High School Facilities Corporation and Community Facilities Districts, are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category*			Carrying	Fair
	1	2	3	Amount	Value
Government Securities and Treasury Obligations	$ -	$65,550,887	$ -	$65,550,887	$65,832,267
Total	$ -	$65,550,887	$ -	$65,550,887	$65,832,267

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

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2002

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2002, expenditures exceeded appropriations in individual major funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Certificated Salaries	$ 1,495,427
Interfund Transfers Out	1,188,555
Adult Education Fund:	
Certificated Salaries	586,960
Transfers Out	14

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2002 consist of the following:

	General Fund	Adult Education Fund	Building Fund	County School Facilities Fund
Federal Government:				
Federal Programs	$ 4,055,982	$ 486,486	$ -	$ -
State Government:				
Categorical aid programs	2,056,085	-	-	-
Lottery	2,450,551	-	-	-
Other state	261,020	16,204	-	-
Deferred maintenance	-	-	-	-
Local:				
Other	709,997	112,267	-	-
Interest	258,834	6,324	737,610	61,898
Miscellaneous	1,747,128	911	-	-
Totals	$ 11,539,597	$ 622,192	$ 737,610	$ 61,898

NOTE 4 – ACCOUNTS RECEIVABLE (continued)

	Other Funds	Total Governmental Funds
Federal Government:		
Federal Programs	$ 706,593	$ 5,249,061
State Government:		
Categorical aid programs	-	2,056,085
Lottery	-	2,450,551
Other state	83,898	361,122
Deferred maintenance	1,167,140	1,167,140
Local:		-
Other	53,798	876,062
Interest	76,677	1,141,343
Miscellaneous	154,115	1,902,154
Totals	$ 2,242,221	$ 15,203,518

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2002 is shown below:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land	$ 26,017,878	$ 285	$ 0	$ 26,018,163
Site improvements	5,189,800	31,400	0	5,221,200
Buildings and improvements	85,374,242	13,529,581	0	98,903,823
Machinery and equipment	8,248,191	592,026	0	8,840,217
Work in progress	21,766,811	61,516,950	12,353,280	70,930,481
Totals at historical cost	146,596,922	75,670,242	12,353,280	209,913,884
Less accumulated depreciation:				
Site improvements	4,273,973	92,735	0	4,366,708
Buildings and improvements	33,472,540	2,106,706	0	35,579,246
Machinery and equipment	4,650,694	738,603	0	5,389297
Total accumulated depreciation	42,397,207	2,938,044	0	45,335,251
Governmental activities capital assets, net	$ 104,199,715	$ 72,732,198	$ 12,353,280	$ 164,578,633

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

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, 2002, the principal balance outstanding on the bonds is $19,250,000.

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, 2002, the principal balance outstanding on the bonds is $42,875,000.

The annual requirements to amortize all special tax revenue bonds payable, outstanding as of June 30, 2002, are as follows:

Fiscal Year	Principal	Interest	Total
2002-2003	$1,745,000	$4,536,041	$6,281,041
2003-2004	1,960,000	4,444,835	6,404,835
2004-2005	2,190,000	4,339,658	6,529,658
2005-2006	2,440,000	4,219,351	6,659,351
2006-2007	2,700,000	4,085,619	6,785,619
Thereafter	76,755,000	37,369,161	114,124,161
Totals	$87,790,000	$58,994,665	$146,784,665

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, 2002 is $4,235,000. The second issuance of certificated 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, 2002 the principal balance outstanding was $21,700,000.

The certificates mature through 2026 as follows:

Fiscal Year	Principal	Interest	Total
2002-2003	$ 1,920,000	$ 948,006	$ 2,868,006
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
Thereafter	15,500,000	1,821,815	17,321,815
Totals	$25,935,000	$ 5,785,909	$ 31,720,909

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

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
2002-2003	$ 98,979
2003-2004	98,979
2004-2005	98,979
Total	296,937
Less Amount Representing Interest	(27,139)
Present Value of Net Minimum Lease Payments	$ 269,798

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

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, 244 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 $938,695 were recognized for retiree health care benefits.

The approximate accumulated future liability for the District at June 30, 2002 amounts to $3,906,967. 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, 2002, 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, 2002 is $560,000. The estimated future liability for both the postemployment health care benefits and the early retirement incentive plan combined, at June 30, 2002, is $4,466,967.

NOTE 8 – JOINT VENTURES

The Sweetwater Union High School District participates in a joint venture under a joint powers agreement (JPA) with the San Diego County Schools Risk Management JPA. The relationship between the Sweetwater Union High School 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 provides 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.

Condensed unaudited financial information for the year ended June 30, 2001 is as follows:

	Workers' Comp.	Property & Liability
Fund Balance*	$ 328,124	$ 432,584
Total Revenues	$ 1,796,138	$ 776,353
Total Expenditures	1,754,203	765,075
Net Increase/(Decrease) in Fund Balance	$ 41,935	$ 11,278

* The District's share at June 30, 2001 is $370,059 for workers' compensation and $443,862 for property and liability. The District also has a $56,244 share in the Miscellaneous Property Self-Insurance Fund.

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' 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 2001-02. The contribution requirements of the plan members are established by State statute. The District made no contributions to CalPERS for the fiscal years ending June 30, 2002, 2001, and 2000, 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 2001-02 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, 2002, 2001, and 2000 were $10,439,007, $9,712,467, and $7,855,696 respectively, and equal 100% of the required contributions for each year.

On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at $5,297,701 (4.5% of current year covered payroll).

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 – ADJUSTMENT FOR RESTATEMENTS

The beginning fund balance of the Adult Education Fund been increased by $78,729 to adjust for revenue misstatements made in 2000-2001 and the beginning net assets for Student Body Funds decreased by $28,277 due to inventory adjustments.

APPENDIX C
ECONOMIC PROFILE FOR COUNTY OF SAN DIEGO

Introduction

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

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

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

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

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

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

County Government

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

Population

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

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

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

Growth Year	County	Growth Rate	State	Growth Rate
1991	2,539,600	---	30,296,000	---
1992	2,583,500	1.7%	30,812,000	1.7%
1993	2,614,200	1.2%	31,303,000	1.6%
1994	2,638,500	0.9%	31,661,000	1.1%
1995	2,658,600	0.8%	31,910,000	0.8%
1996	2,682,100	0.9%	32,223,000	1.0%
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	2,918,300	2.0%	35,037,000	1.9%
Overall increase since 1991		13.0%		13.7%

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 1996 and 2001.

TABLE NO. C-2
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME
CALENDAR YEARS 1996 THROUGH 2001

	County of San Diego	State of California	United States
1996	$34,445	$35,216	$33,482
1997	35,725	36,483	34,618
1998	36,296	37,091	35,377
1999	39,213	39,492	37,223
2000	44,292	44,464	39,129
2001	44,146	43,532	38,365

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

Employment

The County's unemployment rate in 2002 averaged 4.3%. The County's 2002 unemployment rate was lower than the State's at 6.7% and the national rate of 5.8%.

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

	1998	1999	2000	2001	2002
Civilian Labor Force - County of San Diego					
Employed	1,274,600	1,319,600	1,351,800	1,382,600	1,406,000
Unemployed	46,400	42,000	41,800	46,300	63,000
Unemployment Rates (1)					
County	3.5%	3.1%	3.0%	3.2%	4.3%
California	5.9%	5.2%	4.9%	5.4%	6.7%
United States	4.5%	4.2%	4.0%	4.8%	5.8%

(1) The unemployment rate is computed from unrounded data and may differ from rates using the rounded figures in this table. March 2002 Benchmark; data not seasonably adjusted.

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

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

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
1998				
San Diego	1,321,000	1,274,600	46,400	3.5
California	16,336,500	15,367,500	969,000	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999				
San Diego	1,361,600	1,319,600	42,000	3.1
California	16,596,500	15,731,700	864,800	5.2
United States	139,368,000	133,488,000	5,880,000	4.2
2000				
San Diego	1,393,600	1,351,800	41,800	3.0
California	16,884,200	16,048,900	835,300	4.9
United States	140,863,000	135,208,000	5,655,000	4.0
2001				
San Diego	1,428,900	1,382,600	46,300	3.2
California	17,182,900	16,260,100	922,800	5.4
United States	141,815,000	135,073,000	6,742,000	4.8
2002				
San Diego	1,469,000	1,406,000	63,000	4.3
California	17,404,600	16,241,800	1,162,800	6.7
United States	142,744,000	134,466,000	8,278,000	5.8

(1) The unemployment rate is computed from unrounded data and may differ from rates using the rounded figures in this table. March 2002 Benchmark; data not seasonably adjusted. Not strictly comparable with data for prior years.

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

Employment and Industry

The District is located in the San Diego County MSA labor market. Five major job categories constitute 68.6% of the work force. They are government (18.2%), professional and business services (16.1%), service producing (14.7%), leisure and hospitality (10.7%) and manufacturing (8.9%). The January, 2003 unemployment rate in the San Diego County area was 4.4%. The State of California January, 2003 unemployment rate (unadjusted) was 7.0%.

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

Industry	1999	2000	2001	2002	2003
Government	198.0	207.1	210.0	219.9	223.4
Other Services	39.3	41.1	42.8	43.3	48.4
Leisure and Hospitality	118.0	121.8	126.7	123.7	132.1
Educational and Health Services	107.9	113.7	111.4	117.8	116.6
Professional and Business Services	175.6	186.9	195.8	197.5	198.0
Financial Activities	68.5	70.0	70.1	72.1	72.9
Information	35.3	37.1	39.1	38.0	35.1
Transportation, Warehousing and Utilities	27.8	28.5	31.3	30.1	29.1
Service Producing					
Retail Trade	125.9	131.2	136.3	136.1	138.9
Wholesale Trade	35.3	38.4	40.5	40.4	41.4
Manufacturing					
Nondurable Goods	29.9	30.4	29.9	27.5	27.1
Durable Goods	92.2	91.2	90.5	86.7	81.9
Goods Producing					
Construction	62.5	66.3	72.2	73.5	75.1
Natural Resources and Mining	0.3	0.3	0.3	0.3	0.3
Total Nonfarm	1,116.5	1,164.0	1,196.9	1,206.9	1,220.3
Farm	9.4	9.8	10.4	9.5	10.1
Total (all industries)	1,125.9	1,173.8	1,207.3	1,216.4	1,230.4

[1] Annually, as of January, 2003. March 2002 Benchmark.

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

Construction

Annual total building permit valuation and unit volume in the County since 1997 are shown below.

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

	1997	1998	1999	2000	2001
Residential Construction Permits	11,091	13,757	16,312	13,714	9,998
Non-Residential Construction	680	967	906	599	619
Misc. Construction Permits	25,705	27,593	31,950	30,530	33,667
Total Valuation	$3,130,775	$3,824,069	$4,485,091	$4,260,729	$4,359,426

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

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the SWEETWATER UNION HIGH SCHOOL DISTRICT (the "District") in connection with the issuance of $52,000,000 Election of 2000, General *Obligation* Bonds, Series B (the "Bonds"). The Bonds are being authenticated and delivered pursuant to a Resolution of the District. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The Dissemination Agent shall not later than February 28 of each year, commencing February 28, 2004, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent (if the Issuer is not the Dissemination Agent) to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

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

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

(d) The Dissemination Agent shall:

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

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

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

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

(b) Other financial information and operating data relating to the District contained in the Official Statement for the Bonds in Table Nos. 1, 3-5 inclusive, and 9 under the headings "FINANCIAL INFORMATION" and "DEBT STRUCTURE" for the previous Fiscal Year, and, where such information or data is in tabular form, for the five most recent Fiscal Years for which the information is available.

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

Section 5. Reporting of Significant Events.

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

1. Delinquency in payment when due of any principal of or interest on the Bonds.

2. Occurrence of any Event of Default under and as defined in the Resolution (other than as described in clause (1) above).

3. Amendment to the Resolution, Lease Agreement, Assignment Agreement, Pledge Agreement, Ground Lease or this Disclosure Certificate modifying the rights of the holders of the Bonds.

4. Giving of a notice of optional or unscheduled redemption or any Bonds.

5. Defeasance of the Bonds or any portion thereof.

6. Any change in the rating, if any, on the Bonds.

7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

8. Any unscheduled draw on the Reserve Fund reflecting financial difficulties.

9. Any unscheduled draws on any credit enhancement reflecting financial difficulties.

10. Any change or substitution in the provider of any credit enhancement, or any failure by the credit enhancer to perform on the credit enhancement.

11. The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).

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

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

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

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

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

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

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

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

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

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

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

Section 9. Amendment. (a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Bond Registrar an opinion of nationally recognized bond counsel or counsel expert in federal securities law, addressed to the Issuer and the Bond Registrar, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities law, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

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

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

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Issuer or the Bond Registrar to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Bond Registrar, as the case may be, to comply with their obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Bond Registrar to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Bond Registrar and Dissemination Agent. The Dissemination Agent (if other than the Issuer or the Bond Registrar or the Bond Registrar in its capacity as Dissemination Agent and the Bond Registrar) shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent and the Bond Registrar, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Bond Registrar's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Bond Registrar shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owners, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Date: July 9, 2003

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 B

Date of Issuance: July 9, 2003

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 July 9, 2003. The Issuer anticipates that the Annual Report will be filed by ____________.

Dated: _______________

SWEETWATER UNION HIGH SCHOOL DISTRICT

By: ______________________________________

Its: ______________________________________

cc: Issuer

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

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

[PAR]
[LEGAL NAME OF ISSUE]

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

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

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

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

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

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

MBIA Insurance Corporation

SPECIMEN

President

Attest: ______________________

Assistant Secretary

TD-R-CA-6
95

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