2009-1043

OFFICIAL STATEMENT

NEW ISSUE -- FULL BOOK-ENTRY

RATING: Standard and Poor's (Insured): "AAA"
Standard & Poor's (Underlying): "A+"
(See "RATING" herein)

In the opinion of Miller Brown & Dannis, San Diego, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the Series A Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$6,001,174.85
JOHN SWETT UNIFIED SCHOOL DISTRICT
2009 General Obligation Bonds
2008 Election, Series A
(Contra Costa County, California)
Bank Qualified

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

Issuance. The John Swett Unified School District 2009 General Obligation Bonds, 2008 Election, Series A (the "Series A Bonds"), in the aggregate principal amount of $6,001,174.85, are being issued by Contra Costa County (the "County") on behalf of the John Swett Unified School District (the "District"). The Series A Bonds were authorized at an election of the registered voters of the District held on November 4, 2008, which authorized a total of $20,000,000 principal amount of general obligation bonds to finance the addition and modernization of school facilities for the District. The Series A Bonds are the first series of bonds to be issued under this authorization.

Security. The Series A Bonds represent a general obligation of the District. The Board of Supervisors of Contra Costa County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series A Bonds. See "The SERIES A BONDS-Security."

Redemption. The Current Interest Bonds are subject to optional redemption prior to maturity as described herein. The Capital Appreciation Bonds are not subject to redemption. See "THE SERIES A BONDS - Optional Redemption."

Book Entry Only. The Series A Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Series A Bonds. See "THE SERIES A BONDS -- Book-Entry-Only System."

Payments. Interest with respect to the Current Interest Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010, by check mailed to the person in whose name the Series A Bond is registered. The Capital Appreciation Bonds are dated the date of delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2010. Payments of principal and interest on the Series A Bonds will be paid by Wells Fargo Bank, National Association, San Francisco, California, as Bond Registrar (the "Bond Registrar"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series A Bonds.

Bond Insurance. The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Series A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series A Bonds by ASSURED GUARANTY CORP. ("Assured Guaranty"). See "BOND INSURANCE" and Appendix F – Specimen Financial Guaranty Insurance Policy.

ASSURED GUARANTY®

MATURITY SCHEDULE
See inside front cover

Cover Page. This cover page contains information for quick reference only. It is not a summary of all the provisions of the Series A Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Series A Bonds are offered when, as and if issued, subject to the approval as to their legality by Miller Brown & Dannis, San Diego, California. It is anticipated that the Series A Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about September 17, 2009, in New York, New York.

STONE & YOUNGBERG

The date of this Official Statement is September 1, 2009.

MATURITY SCHEDULE

Base CUSIP†: 478048

$5,735,000 Current Interest Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2010	$725,000	1.000%	1.000%	100.000	BA8
2011	110,000	2.000	1.350	101.197	BB6
2012	110,000	2.000	1.800	100.556	BC4
2013	120,000	2.500	2.150	101.292	BD2
2014	125,000	2.750	2.500	101.138	BE0
2015	140,000	3.000	2.750	101.345	BF7
2016	160,000	3.000	3.050	99.689	BG5
2017	175,000	4.000	3.350	104.462	BH3
2018	195,000	4.000	3.600	103.011	BJ9
2019	215,000	4.000	3.850	101.218	BK6
2020	240,000	4.000	4.000	100.000	BL4
2021	260,000	4.000	4.150	98.601	BM2
2022	285,000	4.125	4.280	98.474	BN0
2023	315,000	4.250	4.380	98.654	BP5
2024	340,000	4.375	4.480	98.864	BQ3
2025	375,000	4.375	4.550	98.032	BR1
2026	405,000	4.500	4.660	98.139	BS9
2027	440,000	4.500	4.720	97.358	BT7
2028	480,000	4.625	4.810	97.717	BU4
2029	520,000	4.750	4.900	98.103	BV2

$266,174.85 Initial Denominational Amount Capital Appreciation Bonds

Maturity Date (August 1)	Denominational Amount	Accretion Rate	Final Accreted Value	Yield to Maturity	CUSIP†
2030	$104,525.00	8.250%	$565,000	6.580%	BW0
2031	45,332.80	12.000	580,000	6.670	BX8
2032	42,083.80	12.000	605,000	6.760	BY6
2033	38,693.75	12.000	625,000	6.840	BZ3
2034	35,539.50	12.000	645,000	6.880	CA7

CONTRA COSTA COUNTY

BOARD OF SUPERVISORS

John M. Gioia, *District 1*
Gayle B. Uilkema, *District 2*
Mary N. Piepho, *District 3*
Susan A. Bonilla, *District 4*
Federal D. Glover, *District 5*

JOHN SWETT UNIFIED SCHOOL DISTRICT

DISTRICT BOARD OF EDUCATION

Brian Colombo, *President*
Norma Jean Cole Clerici, *Clerk*
Bill Concannon, *Member*
Jim Delgadillo, *Member*
Jerrold Parsons, *Member*

DISTRICT ADMINISTRATION

Mike McLaughlin, Ed.D., *Superintendent*
Ellen Monck, *Chief Business Official*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISTRICT COUNSEL

Miller Brown & Dannis
San Diego, California

FINANCIAL ADVISOR

Dale Scott and Company, Inc.
San Francisco, California

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

Wells Fargo Bank, National Association
San Francisco, California

TABLE OF CONTENTS

Page

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series A 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 a contract between any bond owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriter has provided 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.

Insurer's Disclaimer. Assured Guaranty makes no representation regarding the Series A Bonds or the advisability of investing in the Series A Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and "APPENDIX F - Specimen Financial Guaranty Insurance Policy".

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

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

Estimates and Projections. 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, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

In connection with the offering of the Series A Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such series a bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

$6,001,174.85
JOHN SWETT UNIFIED SCHOOL DISTRICT
2009 General Obligation Bonds
2008 Election, Series A
(Contra Costa County, California)
Bank Qualified

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and attached appendices, is to set forth certain information concerning the sale and delivery by the John Swett Unified School District (the "District") of the bonds captioned above (the "Series A Bonds"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolution (as defined below).

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

The District. The District, located in the San Francisco Bay Area of Northern California, serves a portion of the City of Hercules, the unincorporated communities of Crockett, Rodeo, and Port Costa, and adjacent unincorporated areas of Contra Costa County, and encompasses approximately 96 square miles. The District currently operates four schools, consisting of one elementary school for grades K-5, one middle school for grades 6-8, one comprehensive high school for grades 9-12, and one alternative education school. Average daily attendance in the District for the 2008-09 school year is approximately 1,600 students.

Description of the Series A Bonds. The Series A Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds will be dated their date of delivery thereof (the "Dated Date") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Current Interest Bonds will mature on August 1 in the years indicated on the inside cover page hereof.

The Capital Appreciation Bonds will be dated the Date of Delivery, and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 Maturity Value (where the "Maturity Value" means the accreted value of a Capital Appreciation Bond on the date such Bond matures) and any integral multiple thereof. The Maturity Value of each Capital Appreciation Bond is equal to its accreted value ("Accreted Value"), being comprised of its initial principal amount ("Denominational Amount") and the compounded interest between the delivery date and its respective maturity date. The Capital Appreciation Bonds will mature on August 1 in the years indicated on the inside cover page hereof.

Registration. The Series A Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Series A Bonds (the "Beneficial

Owners") in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series A Bonds. See "THE SERIES A BONDS -- Book-Entry-Only System." In the event that the book-entry-only system described below is no longer used with respect to the Series A Bonds, the Series A Bonds will be registered in accordance with the Bond Resolution described herein. See "THE SERIES A BONDS -- Registration, Transfer and Exchange of Bonds."

Redemption. The Current Interest Bonds are subject to optional redemption prior to maturity as described in "THE SERIES A BONDS - Optional Redemption" herein. The Capital Appreciation Bonds are not subject to redemption prior to maturity.

Authority for Issuance**.** Issuance of the Series A Bonds was approved by 55% or more of the voters of the District voting at an election held on November 4, 2008 (the "2008 Authorization") and will be issued pursuant to certain provisions of the Education Code of the State or California (the "State") and other applicable law and pursuant to resolutions adopted by the Board of Education of the District on August 12, 2009 and by the Board of Supervisors of the County on August 25, 2009 (together, the "Bond Resolution"). See "THE SERIES A BONDS - Authority for Issuance" herein.

Security for the Series A Bonds. The Series A Bonds represent a general obligation of the District. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Series A Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "THE SERIES A BONDS -- Security" herein.

Bond Insurance. The scheduled payment of principal of (or, in the case of capital appreciation bonds, the accreted value) and interest on the Series A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series A Bonds by Assured Guaranty. See "BOND INSURANCE" and Appendix F – Specimen Financial Guaranty Insurance Policy.

Purpose of Issue. The net proceeds of the Series A Bonds will be used to finance improvements to the school facilities as approved by the voters at an election held in the District on November 4, 2008. See "THE SERIES A BONDS -- Purpose of Issue" and "SOURCES AND USES OF FUNDS" herein.

Bank Qualified. The District has designated the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Offering and Delivery of the Series A Bonds. The Series A Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Bond Counsel. It is anticipated that the Series A Bonds will be available for delivery in New York, New York on or about September 17, 2009.

Legal Matters. Issuance of the Series A Bonds is subject to the approving opinion of Miller Brown & Dannis, San Diego, California ("Bond Counsel"), to be delivered in substantially the form attached hereto as Appendix D. Payment of the fees of Bond Counsel is contingent upon issuance of the Series A Bonds.

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Series A Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Series A Bonds will be exempt from State personal income taxes. See "TAX MATTERS" herein.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "THE SERIES A BONDS - Continuing Disclosure" herein.

Other Information. For limiting factors about this Official Statement, see "General Information About This Official Statement" inside the cover hereof.

Copies of documents referred to herein and information concerning the Series A Bonds are available from the Superintendent, John Swett Unified School District, 400 Parker Avenue, Rodeo, California 94572; telephone (510) 245-4300. The District may impose a charge for copying, mailing and handling.

THE SERIES A BONDS

Description of the Series A Bonds

The Series A Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Series A Bonds.

Current Interest Bonds. Interest with respect to the Current Interest Bonds accrues from their Dated Date, and is payable semiannually on February 1 and August 1 of each year (each, a "Bond Payment Date") commencing February 1, 2010. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of a Bond Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to a Bond Payment Date and after the close of business on the fifteenth (15th) day of the month preceding such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or (iii) it is registered and authenticated prior to January 15, 2009, in which event it shall bear interest from the date of original delivery; *provided, however*, that if at the time of authentication of a Current Interest Bond, interest is in default thereon, such Current Interest Bond shall bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Current Interest Bonds, including the final interest payment upon maturity, is payable by check of the Bond Registrar (as defined herein) mailed on the Bond Payment Date via first-class mail to the Owner thereof at such Owner's address as it appears on the bond register maintained by the Bond Registrar at the close of business on the fifteenth (15th) day of the month preceding the Bond Payment Date (the "Record Date"), or at such other address as the Owner may have filed with the Bond Registrar for that purpose, or upon written request filed with the Bond Registrar as of the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Current Interest Bonds, by wire transfer.

The Current Interest Bonds shall be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the Date of Delivery, and accrete interest from such date. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof. The Capital Appreciation Bonds mature on August 1 in the years set forth on the inside cover page hereof and are payable only at maturity, according to the amounts set forth in the accreted value tables (see "APPENDIX A - Accreted Value Tables" herein).

The Capital Appreciation Bonds shall not bear current interest; each Capital Appreciation Bond shall accrete in value daily over the term to its maturity, compounded semiannually on each February 1 and August 1, commencing February 1, 2010, from its Denominational Amount on the date of delivery thereof to its stated Maturity Value at maturity thereof.

The interest portion of the Accreted Value of any Capital Appreciation Bond which is payable on the date of maturity or early redemption (if applicable) shall represent interest accrued and coming due on such date. The Accreted Value of any Capital Appreciation Bond at maturity or early redemption (if applicable) shall be payable by check mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the Office of the Bond Registrar.

Authority for Issuance

The Series A Bonds are issued pursuant to Chapter 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code and other applicable law (the "Act") and pursuant to the 2008 Authorization. The District received the 2008 Authorization at an election held on November 4, 2008, by a 74% affirmative vote of the qualified electors to issue general obligation bonds in a principal amount not to exceed $20,000,000. The election was conducted pursuant to California State Proposition 39 of November 2000, which amended Article XIIIA of the California Constitution to permit the approval of general obligation bonds of a school district by 55% or more of the votes cast on the measure, subject to certain accountability features (see "CONSTITUTIONAL AND STATUTORY PRVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Article XIIIA of the California Constitution" herein). The Series A Bonds are the first series of bonds to be issued under this 2008 Authorization; after the Series A Bonds are issued there will be $13,998,825.15 of unused 2008 Authorization remaining.

Purpose of Issue

The proceeds of bonds issued pursuant to the 2008 Authorization will be used for the specific school facilities projects set forth in the ballot measure approved by the District's voters, as follows:

> "To modernize, upgrade, equip and furnish John Swett High School and its related athletic and support facilities, to provide improved, safe, and technologically advanced academic and athletic facilities, and to become eligible for state matching funds for school facilities including joint-use and career technical education facilities, shall the John Swett Unified School District issue $20,000,000 in bonds at interest rates within the legal limit subject to the accountability safeguards required by law?"

Security

The Series A Bonds are a general obligation of the District. The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* taxes for the payment of the Series A Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Series A Bonds are outstanding in an amount sufficient to pay the principal and interest on the Series A Bonds when due. Such taxes, when collected, will be deposited into a separate fund known as the "John Swett Unified School District General Obligation Bond, 2008 Election, Series A, Debt Service Fund" (the "Debt Service Fund"), which is maintained by the County and which is created by statute for the payment of principal of and interest on the Series A Bonds when due. **Although the County is obligated to levy an *ad valorem* tax for the payment of the Series A Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Series A Bonds, the Series A Bonds are not a debt of the County.**

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on the Series A Bonds as the same become due and payable, shall be transferred by the County to the Bond Registrar which, in turn, shall pay such moneys to DTC to pay the principal and interest on the Series A Bonds. DTC will thereupon make payments of principal and interest on the Series A Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Series A Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Series A Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Series A Bonds. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy. For further information regarding the District's tax base, tax rates, overlapping debt and other matters concerning taxation, see "DISTRICT FINANCIAL INFORMATION" herein.

Bond Registrar

Wells Fargo Bank, National Association, San Francisco, California, will act as the registrar, transfer agent, and Bond Registrar for the Series A Bonds. As long as DTC is the registered owner of the Series A Bonds and DTC's book-entry method is used for the Series A Bonds, the Bond Registrar will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Series A Bonds called for redemption or of any other action covered by such notice.

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

Optional Redemption

The Capital Appreciation Bonds are not subject to optional redemption prior to maturity.

The Current Interest Bonds maturing on or after August 1, 2020 are subject to redemption at the option of the District, as a whole or in part, from any available source of funds, on August 1, 2019 or on any date thereafter, at a redemption price equal to 100% of the principal amount thereof together with accrued interest thereon to the date fixed for redemption, without premium.

For the purpose of selection for optional redemption, Current Interest Bonds will be deemed to consist of $5,000 portions, and any such portion may be separately redeemed.

Selection of Bonds for Redemption

Whenever less than all of the outstanding Series A Bonds are to be redeemed, the Bond Registrar shall select the maturities of Series A Bonds to be redeemed in such manner as the District in its discretion may determine, and the Bond Registrar shall select Series A Bonds within a maturity for redemption by lot. Redemption by lot shall be in such manner as the Bond Registrar shall determine; provided, however, that the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple thereof. The Bond Registrar shall promptly notify the District of the Series A Bonds so selected for redemption on such date.

Notice of Redemption

The Bond Registrar is required to give notice of the redemption of the Series A Bonds via first class mail, postage prepaid, to the respective owners of any Series A Bonds designated for redemption not less than 30 nor more than 60 days prior to the redemption date. Notice of any redemption of Series A Bonds shall specify: (a) the Series A Bonds or designated portions thereof (in the case of redemption of the Series A Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Bond Registrar, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Series A Bonds to be redeemed, (f) the Bond numbers of the Series A Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

Neither failure to receive such notice nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Series A Bonds or the cessation of accrual of interest represented thereby from and after the redemption date.

Partial Redemption of Bonds

Upon the surrender of any Series A Bond redeemed in part only, the Bond Registrar shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Series A Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Bond Registrar to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Series A Bonds.

If the book entry system is discontinued, the person in whose name a Series A Bond is registered on the Bond Register shall be regarded as the absolute owner of that Series A Bond. Payment of the Maturity Value or principal of and interest on any Series A Bond shall be made only to or upon the order of that person; neither the District, the County nor the Bond Registrar shall be affected by any notice to the contrary, but the registration may be changed as provided the Bond Resolution.

Series A Bonds may be exchanged at the principal corporate trust office of the Bond Registrar in San Francisco, California for a like aggregate principal amount of Series A Bonds of authorized denominations and of the same maturity; provided that Current Interest Bonds may only be exchanged for Current Interest Bonds, and Capital Appreciation Bonds may only be exchanged for Capital Appreciation Bonds. Any Series A Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Series A Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Series A Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series A Bond for cancellation at the office of the Bond Registrar, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed.

No exchanges of Series A Bonds shall be required to be made (a) fifteen days prior to an Bond Payment Date or the date established by the Bond Registrar for selection of Series A Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Book-Entry-Only System

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Series A Bonds, payment of principal, interest and other payments on the Series A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series A Bonds and other related transactions by and between DTC, the DTC 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 DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Bond Registrar take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series A Bonds, (b) Series A Bonds representing ownership interest in or other confirmation or ownership interest in the Series A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this section. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series A Bonds. The Series A 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 certificate will be issued for each maturity of the Series A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A Bonds on DTC's records. The

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series A Bonds may wish to ascertain that the nominee holding the Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

8. Redemption proceeds, distributions, and dividend payments on the Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Bond Registrar, 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect

from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

12. 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.

Continuing Disclosure

The District will covenant for the benefit of owners of the Series A Bonds to provide certain financial information and operating data relating to the District by not later than nine months after the end of the District's fiscal year (which date would be the April 1 following the current end of the District's fiscal year on June 30), commencing with the report for the 2008-09 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "Rule").

The District has, in the past, failed to file certain of its required annual reports in a timely manner as required by its prior continuing disclosure obligations. The District has since filed all such reports and is current with respect to all filings required under its prior continuing disclosure obligations.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Series A Bonds (assuming no optional redemptions).

	Current Interest Bonds		Capital Appreciation Bonds		
Period Ending (August 1)	Principal	Interest	Principal	Interest	Total Series A Bonds Debt Service
2010	$725,000.00	$184,769.38	--	--	$909,769.38
2011	110,000.00	204,587.50	--	--	314,587.50
2012	110,000.00	202,387.50	--	--	312,387.50
2013	120,000.00	200,187.50	--	--	320,187.50
2014	125,000.00	197,187.50	--	--	322,187.50
2015	140,000.00	193,750.00	--	--	333,750.00
2016	160,000.00	189,550.00	--	--	349,550.00
2017	175,000.00	184,750.00	--	--	359,750.00
2018	195,000.00	177,750.00	--	--	372,750.00
2019	215,000.00	169,950.00	--	--	384,950.00
2020	240,000.00	161,350.00	--	--	401,350.00
2021	260,000.00	151,750.00	--	--	411,750.00
2022	285,000.00	141,350.00	--	--	426,350.00
2023	315,000.00	129,593.76	--	--	444,593.76
2024	340,000.00	116,206.26	--	--	456,206.26
2025	375,000.00	101,331.26	--	--	476,331.26
2026	405,000.00	84,925.00	--	--	489,925.00
2027	440,000.00	66,700.00	--	--	506,700.00
2028	480,000.00	46,900.00	--	--	526,900.00
2029	520,000.00	24,700.00	--	--	544,700.00
2030	--	--	$104,525.00	$460,475.00	565,000.00
2031	--	--	45,332.80	534,667.20	580,000.00
2032	--	--	42,083.80	562,916.20	605,000.00
2033	--	--	38,693.75	586,306.25	625,000.00
2034	--	--	35,539.50	609,460.50	645,000.00
Total	$5,735,000.00	$2,929,675.66	$266,174.85	$2,753,825.15	$11,684,675.66

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series A Bonds are as follows:

Sources of Funds:	
Principal Amount of Series A Bonds	$6,001,174.85
Plus Net Original Issue Premium	354,962.15
Total Sources	*$6,356,137.00*
Uses of Funds:	
Building Fund	$6,001,174.85
Underwriter's Discount	96,018.80
Costs of Issuance (1)	258,943.35
Total Uses	*$6,356,137.00*

(1) Costs of Issuance include legal fees, financial advisor's fees, bond insurance premium, printing costs, rating agency fees and other miscellaneous expenses.

BOND INSURANCE

The Insurance Policy

Concurrently with the issuance of the Series A Bonds, Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer") will issue its financial guaranty insurance policy (the "Policy") for the Series A Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series A Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

The Insurer

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa2" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's") and "AA" (ratings watch negative) by Fitch, Inc. ("Fitch"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

On July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on Assured Guaranty. At the same time, S&P revised its outlook on Assured Guaranty to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On May 20, 2009, Moody's issued a press release stating that it had placed the "Aa2" insurance financial strength rating of Assured Guaranty on review for possible downgrade. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

In a press release dated August 10, 2009, Fitch revised its outlook on Assured Guaranty to negative from evolving. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

There can be no assurance as to the outcome of Moody's review, or as to the further action that Fitch or S&P may take with respect to Assured Guaranty.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009.

Acquisition of FSA

On July 1, 2009, AGL acquired the financial guaranty operations of Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance Inc. For more information regarding the acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009.

Capitalization of Assured Guaranty Corp.

As of June 30, 2009, Assured Guaranty had total admitted assets of $1,950,949,811 (unaudited), total liabilities of $1,653,306,246 (unaudited), total surplus of $297,643,565 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,084,906,800 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009); and
- the Current Reports on Form 8-K filed by AGL with the SEC relating to the periods following the fiscal year ended December 31, 2008.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Series A Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE - The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

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

APPLICATION OF PROCEEDS OF SERIES A BONDS

Building Fund

The proceeds from the sale of the Series A Bonds, to the extent of the principal amount thereof, shall be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "John Swett Unified School District General Obligation Bond, 2008 Election, Series A, Building Fund" (the "Building Fund"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Series A Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Series A Bonds not needed for the authorized purposes for which the Series A Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Series A Bonds. If, after payment in full of the Series A Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund shall be retained in the Building Fund.

Debt Service Fund

Any premium received by the County from the sale of the Series A Bonds after payment of the costs of issuance shall be deposited in the Debt Service Fund, which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Series A Bonds. The County is required to levy on all the taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* tax annually during the period the Series A Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series A Bonds (including the Maturity Value thereof in the case of Capital Appreciation Bonds) when due, which monies when collected will be placed in the Debt Service Fund, which fund is irrevocably pledged for the payment of the principal of and interest on the Series A Bonds when and as the same fall due.

Investment of Bond Proceeds

Under California law, the District is generally required to pay all monies received from any source into the Contra Costa County Treasury (the "County Treasury") to be held on behalf of the District. The proceeds of Series A Bonds to be deposited in the Building Fund and the Debt Service Fund initially will be deposited in the County Treasury which is administered by the Contra Costa County Treasurer (the "Treasurer"). The Bond Resolution provides that proceeds of the Series A Bonds held by the Treasurer shall be invested at the Treasurer's discretion pursuant to law and the investment policy of the County, unless the District otherwise requests the County to invest all or a portion of the funds on deposit in the Building Fund in certain permitted investments, including the County's investment pool (the "County Investment Pool") or investment agreements which comply with the requirements of each rating agency then rating the Series A Bonds, as defined in the Bond Resolution. See "COUNTY INVESTMENT POOL" herein for a description of the County's investment policy and investment portfolio. The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the County Investment Pool. Money on deposit in the Building Fund and the Debt Service Fund will be accounted for separately and be held in the commingled County Investment Pool and invested by the Treasurer. See also "COUNTY INVESTMENT POOL" herein.

SOURCES OF PAYMENT FOR THE SERIES A BONDS SERIES A

The Series A Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy *ad valorem* taxes upon all property within the District subject to taxation without limitation of rate or amount, for the payment of the Series A Bonds and the interest thereon, in accordance with and subject to Part 10, Division 1, Title 1 of the California Education Code.

Ad Valorem Taxes

The Series A Bonds are payable from *ad valorem* taxes. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Series A Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Series A Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series A Bonds when due. Such taxes, when collected, will be placed by the County in the District's Debt Service Fund, which is segregated and maintained by the County and which is irrevocably pledged for the payment of the Series A Bonds and interest thereon when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Series A Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Series A Bonds, the Series A Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series A Bonds as the same become due and payable, shall be transferred by the Treasurer to the Bond Registrar which, in turn, shall pay such moneys to DTC to pay the principal of and interest on the Series A Bonds. DTC will thereupon make payments of principal and interest on the Series A Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Series A Bonds. Any moneys remaining in the Debt Service Fund after the Series A Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund of the District.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after 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 declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid, on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting delinquent 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. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (“SBE”) and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary property”, a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuations

The assessed valuation of property in the District is established by the Contra Costa County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District had a total taxable assessed valuation for fiscal year 2009-10 of $2,505,846,416. Shown in the following table are the assessed valuations for the District for the past ten fiscal years.

Table No. 1
Assessed Valuation
Fiscal Year 2004-05 through Fiscal Year 2009-10
JOHN SWETT UNIFIED SCHOOL DISTRICT

	Local Secured	Utility	Unsecured	Total	Annual % Change
1999-00	$1,384,660,253	$2,019,055	$261,495,406	$1,648,174,714	
2000-01	1,309,451,144	2,016,869	284,615,162	1,596,083,175	-3.16%
2001-02	1,446,370,756	2,166,258	279,621,507	1,728,158,521	8.27
2002-03	1,578,916,152	2,075,256	269,731,595	1,850,723,003	7.09
2003-04	1,651,729,722	2,070,396	237,371,631	1,891,171,749	2.19
2004-05	1,815,264,089	2,214,599	236,854,131	2,054,332,819	8.63
2005-06	1,989,647,189	2,239,280	249,399,874	2,241,286,343	9.10
2006-07	2,091,723,981	2,060,084	240,124,543	2,333,908,608	4.13
2007-08	2,310,230,409	867,483	214,765,263	2,525,863,155	8.22
2008-09	2,282,964,772	864,335	223,302,734	2,507,131,841	-0.74
2009-10*	2,168,285,877	864,335	336,696,204	2,505,846,416	-0.05

*From Contra Costa County Auditor-Controller's Office.
Source: California Municipal Statistics, Inc.

The following table shows a breakdown of local secured assessed values and parcels within the District by land use for fiscal year 2008-09.

Table No. 2
Assessed Valuation and Parcels by Land Use in Fiscal Year 2008-09
JOHN SWETT UNIFIED SCHOOL DISTRICT

	2008-09 Assessed Valuation		Taxable Parcels	
	Secured Property (1)	% of Total	Number	% of Total
Non-Residential:				
Agricultural	$ 38,454,310	1.68%	63	1.25%
Commercial	45,601,694	2.00	124	2.46
Vacant Commercial	14,932,004	0.65	29	0.57
Industrial	1,119,153,294	49.02	29	0.57
Vacant Industrial	20,882,073	0.91	32	0.63
Recreational	11,278,034	0.49	6	0.12
Government/Social/Institutional	2,045,345	0.09	173	3.43
Miscellaneous	1,291,852	0.06	88	1.74
Subtotal Non-Residential	$1,253,638,606	54.91%	544	10.77%
Residential:				
Single Family Residence	$ 852,427,142	37.34%	3,637	72.02%
Condominium/Townhouse	75,079,506	3.29	328	6.50
Rural Residential	4,020,945	0.18	16	0.32
Mobile Home	75,000	0.00	6	0.12
2-4 Residential Units	63,702,524	2.79	285	5.64
5+ Residential Units/Apartments	25,916,251	1.14	37	0.73
Miscellaneous Residential	637,587	0.03	11	0.22
Vacant Residential	7,467,211	0.33	186	3.68
Subtotal Residential	$1,029,326,166	45.09%	4,506	89.23%
Total	$2,282,964,772	100.00%	5,050	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics

The table below shows the distribution of assessed valuation of single family homes for fiscal year 2008-09.

Table No. 3
Per Parcel 2008-09 Assessed Valuation of Single Family Homes
JOHN SWETT UNIFIED SCHOOL DISTRICT

	No. of Parcels	2008-09 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,637	$852,427,142	$234,376	$216,149

2008-09 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	54	1.485%	1.485%	$ 878,499	0.103%	0.103%
$25,000 - $49,999	229	6.296	7.781	8,736,436	1.025	1.128
$50,000 - $74,999	233	6.406	14.188	14,100,984	1.654	2.782
$75,000 - $99,999	176	4.839	19.027	15,141,777	1.776	4.558
$100,000 - $124,999	189	5.197	24.223	21,470,627	2.519	7.077
$125,000 - $149,999	208	5.719	29.942	28,627,033	3.358	10.436
$150,000 - $174,999	196	5.389	35.331	31,961,034	3.749	14.185
$175,000 - $199,999	306	8.414	43.745	57,515,337	6.747	20.932
$200,000 - $224,999	329	9.046	52.791	69,761,321	8.184	29.116
$225,000 - $249,999	251	6.901	59.692	59,418,181	6.970	36.087
$250,000 - $274,999	209	5.746	65.439	54,587,000	6.404	42.490
$275,000 - $299,999	183	5.032	70.470	52,282,163	6.133	48.624
$300,000 - $324,999	139	3.822	74.292	43,252,013	5.074	53.698
$325,000 - $349,999	142	3.904	78.196	47,849,132	5.613	59.311
$350,000 - $374,999	108	2.969	81.166	39,085,363	4.585	63.896
$375,000 - $399,999	109	2.997	84.163	42,264,868	4.958	68.854
$400,000 - $424,999	187	5.142	89.304	76,716,478	9.000	77.854
$425,000 - $449,999	122	3.354	92.659	53,518,589	6.278	84.132
$450,000 - $474,999	95	2.612	95.271	43,729,869	5.130	89.262
$475,000 - $499,999	77	2.117	97.388	37,365,310	4.383	93.646
$500,000 and greater	95	2.612	100.000	54,165,128	6.354	100.000
Total	3,637	100.000%		$852,427,142	100.000%	

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

Appeals of Assessed Value

General. There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “LIMITATIONS ON TAX REVENUES” below.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "LIMITATIONS ON TAX REVENUES" below.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Recent Proposition 8 Reductions. As of January 1, 2009 the Contra Costa County Assessor temporarily reduced the assessed value of 160,000 properties in the County; the parcels were residential parcels in the County that had changed ownership during the period from January 1, 2008 through January 1, 2009. On a County-wide basis, the County reduced the assessed value of these parcels by $11 billion below their "full cash value." The County is not able to provide Proposition 8 information that is specific to properties in the District. The 2009 calendar year assessed value of taxable property in the County increased by 0.34% above the 2008 calendar year value.

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. This alternative method is used for distribution of the *ad valorem* property tax revenues.

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

Under the Teeter Plan, the County establishes the Tax Loss Reserve Fund. The County determines which monies in the County Treasury (including those credited to the Tax Loss Reserve Fund) shall be available to be drawn onto the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan monies are distributed to the apportioned tax resources accounts. The tax losses reserve fund is used exclusively to cover lost income occurring as a result of tax-defaulted property. Monies in this fund are derived from several sources. While amounts collected as costs are distributed to the County's general fund, delinquent penalty collections are distributed to the tax losses reserve fund.

When tax-defaulted property is sold, the taxes and assessments which constitute the amount required to redeem the property are prorated between apportioned (Teeter) levies and unapportioned (or non-Teeter) levies. The pro rata share for apportioned levies is distributed to the tax losses reserve fund. The pro rata share for 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 by resolutions adopted by two-thirds of the participating revenue districts 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.

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 not be 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 terminate the Teeter Plan in its entirety or terminate the Teeter Plan as to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%.

Tax Levies and Delinquencies

The following table shows the secured tax charges and delinquencies for all taxes collected in the District by the County between 2003-04 and 2007-08.

Table No. 4
Secured Tax Charges and Delinquency Rates
Fiscal Years 2003-04 through 2007-08
JOHN SWETT UNIFIED SCHOOL DISTRICT

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2003-04	$20,525,711.85	$514,839.33	2.51%
2004-05	22,625,677.42	587,775.16	2.60
2005-06	24,793,905.99	774,053.37	3.12
2006-07	25,987,479.95	1,073,884.22	4.13
2007-08	29,117,956.44	1,304,478.15	4.48

(1) All taxes collected by the County on property in the District.
Source: California Municipal Statistics, Inc.

Tax Rates

The tax rates for the District for the past five years are shown below.

Table No. 5
Typical Total Tax Rates
JOHN SWETT UNIFIED SCHOOL DISTRICT

Dollars per $100 of Assessed Value
Typical Total Tax Rates - TRA 64-045 – 2008-09 Assessed Valuation: $943,575,513

	2004-05	2005-06	2006-07	2007-08	2008-09
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Bay Area Rapid Transit District	--	.0048	.0050	.0076	.0090
East Bay Regional Park District	.0057	.0057	.0085	.0080	.0100
John Swett Unified School District	.0273	.0246	.0244	.0229	.0247
Contra Costa Community College District	.0042	.0047	.0043	.0108	.0066
Total	$1.0372	$1.0398	$1.0422	$1.0493	$1.0503

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the twenty largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2008-09.

Table No. 6
Largest Property Owners for Fiscal Year 2008-09
JOHN SWETT UNIFIED SCHOOL DISTRICT

	Property Owner	Land Use	2008-09 Assessed Valuation	% of Total (1)
1.	Tosco Corporation	Heavy Industrial	$ 975,889,135	42.75%
2.	Sugar Acquisition Corp.	Heavy Industrial	105,722,922	4.63
3.	CS Land Inc.	Vacant	41,647,691	1.82
4.	Shore Terminals LLC	Heavy Industrial	35,396,321	1.55
5.	ConocoPhillips Company	Heavy Industrial	13,960,886	0.61
6.	Rodeo Parker SC LLC	Shopping Center	8,651,515	0.38
7.	Three Trees Holdings I LLC	Golf Course	8,000,000	0.35
8.	Orinda Investors LP	Apartments	6,532,036	0.29
9.	Pacific Custom Materials Inc.	Heavy Industrial	4,092,012	0.18
10.	Deutsche Bank National Trust Co.	Residential Properties	4,065,500	0.18
11.	John F. Bessolo	Apartments	3,703,310	0.16
12.	Asbury Graphite Inc. of CA	Heavy Industrial	3,346,864	0.15
13.	Besphil & Co. Ltd.	Vacant	2,900,000	0.13
14.	Thomas & Consuelo Gozzano	Commercial	2,866,483	0.13
15.	Oak Hill Park Company	Vacant	2,634,331	0.12
16.	Kayo Oil Company	Commercial	2,507,383	0.11
17.	Bank of New York	Residential Properties	1,899,400	0.08
18.	Jad San Pablo LLC	Restaurant	1,727,554	0.08
19.	DR Properties LLC	Light Industrial	1,521,166	0.07
20.	Santiago & Karen Bravo	Apartments	1,485,691	0.07
			$1,228,550,200	53.81%

(1) 2008-09 local secured assessed valuation: $2,282,964,772
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated September 1, 2009. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

Contained within the District's boundaries are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, and special assessment obligations. The direct and overlapping debt of the District is shown in the table below. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

The first column in the following table names the public agencies which have outstanding debt as of the date of the report and whose territories overlap the District. The second column shows what percentage of each overlapping agency's assessed valuation is within the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in Column 3, which is the apportionment of each overlapping agency's outstanding debt to property in the District.

Table No. 7
Direct and Overlapping Debt
As of September 1, 2009
JOHN SWETT UNIFIED SCHOOL DISTRICT

2008-09 Assessed Valuation:	$2,507,131,841
Redevelopment Incremental Valuation:	(252,123,074)
Adjusted Assessed Valuation:	$2,255,008,767

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/09
Bay Area Rapid Transit District	0.512%	$ 2,150,400
Contra Costa Community College District	1.634	2,823,470
John Swett Unified School District	100.000	9,240,000 (1)
West Contra Costa Healthcare District Parcel Tax Obligations	7.677	1,779,145
East Bay Regional Park District	0.754	760,484
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$16,753,499
OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	1.629%	$ 4,635,401
Contra Costa County Pension Obligations	1.629	7,582,262
Contra Costa Community College District Certificates of Participation	1.634	17,157
City of Hercules Certificates of Participation	9.590	1,426,992
TOTAL OVERLAPPING GENERAL FUND DEBT		$13,661,812
COMBINED TOTAL DEBT		$30,415,311 (2)

(1) Excludes the Series A Bonds described herein.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:
Direct Debt ($9,240,000) 0.37%
Total Direct and Overlapping Tax and Assessment Debt........ 0.67%

Ratios to Adjusted Assessed Valuation:
Combined Total Debt.. 1.35%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $0

Source: California Municipal Statistics, Inc.

THE DISTRICT

General Information

The boundaries of the District encompass an area of approximately 96 square miles within the northwestern portion of the County. The territory of the District includes a portion of the City of Hercules, the unincorporated communities of Crockett, Rodeo, and Port Costa, and adjacent unincorporated areas of the County. The District was established in 1901 and unified in 1965.

The District is a unified school district providing education for students in grades K-12. The District currently operates four schools, consisting of one elementary school (grades K-5), one middle school (grades 6-8), one comprehensive high school (grades 9-12), and one alternative education school. Average Daily Attendance in the District for the 2008-09 school year was 1,600 students.

Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

Name	Term Expires
Brian Colombo, President	December, 2010
Norma Jean Cole Clerici, Clerk	December, 2012
Bill Concannon, Member	December, 2010
Jim Delgadillo, Member	December, 2012
Jerrold Parsons, Member	December, 2012

Employee Relations

As of July 1, 2009, the District employed 92.2 full-time equivalent and part-time certificated employees and 54.5 classified, certificated and classified management and supervisory employees. The District has two recognized bargaining units which represents its employees. The John Swett Education Association, an association of the California Teachers Association, represents teachers. Its contract with the District expires on June 30, 2012. The California School Employees Association, Chapter No. 72, represents classified employees. Its contract with the District expired on June 30, 2009, and they are currently negotiating a new contract.

District Retirement Systems

STRS. The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all full-time certificated employees. The District's contribution to STRS for fiscal years 2005-06, 2006-07 and 2007-08 was $455,592, $515,583 and $557,050 respectively, and for fiscal year 2008-09 $551,808 is budgeted.

PERS*.* The District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's contribution to PERS for fiscal years 2005-06, 2006-07 and 2007-08 was $135,966, $184,177 and $164,834, respectively, and for fiscal year 2008-09 the PERS budgeted amount is $164,012. Both STRS and PERS are operated on a statewide basis.

Joint Powers Agreements

The District participates in two joint ventures under joint powers agreements ("JPAs") with the Central Region Schools Insurance Group ("CRSIG") for property and liability insurance and the Contra Costa County School Insurance Group ("CCCSIG") for workers' compensation insurance. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide insurance coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. The governing boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the respective governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA.

Other Post Employment Benefits. The District provides post employment health care benefits to all eligible retirees. The District pays the insurance premiums to maintain the level of coverage enjoyed by the employee immediately preceding retirement, until the age of 65. As of June 30, 2009, 25 retirees meet those eligibility requirements. During fiscal year 2008-09, the District incurred expenditures of $427,458 for post employment health care benefits. This amount represents the total Annual Required Contribution under the criteria established in the District's Actuarial Valuation of Postemployment Health Benefits, dated July 1, 2007. The district also contributes a minimum amount as required by CalPERS for retirees over the age of 65.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series A Bonds is payable from the general fund of the District. The Series A Bonds are payable from the proceeds of an *ad valorem* tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE SERIES A BONDS – Security" herein.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30.

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more information on the District's accounting method, see Note 1, Section B of "APPENDIX B – Excerpts of Audited Financial Statements of the District" attached hereto.

Financial Statements

The District's Audited Financial Statements for fiscal year 2007-08 were prepared by Nigro, Nigro, and White, PC, San Diego, California. Audited financial statements for the District for the fiscal year ended June 30, 2008 and prior fiscal years are on file with the District and available for public inspection at John Swett Unified School District, 400 Parker Avenue, Rodeo, California 94572; telephone (510) 245-4300. See Appendix B hereto for excerpts from the 2007-08 Audited Financial Statements. The District has not requested, and the auditor has not provided, any additional review of such financial statements in connection with the inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

The following table shows the audited income and expense statements for the District for the 2005-06 through 2007-08 fiscal years.

Table No. 8
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2005-06 through 2007-08 (audited)
JOHN SWETT UNIFIED SCHOOL DISTRICT

	Audited 2005-06	Audited 2006-07	Audited 2007-08
Revenues			
Revenue Limit Sources	$9,351,717	$9,793,413	$9,943,288
Federal Revenues	969,936	756,168	824,225
Other State Sources	1,698,009	2,879,483	2,186,297
Other Local Sources	1,548,605	1,711,073	1,538,346
Total Revenues	$13,568,267	$15,140,137	$14,492,156
Expenditures			
Certificated Salaries	$5,785,958	$6,249,487	$6,799,355
Classified Salaries	1,755,251	1,899,615	2,095,443
Employee Benefits	2,534,518	2,725,982	3,144,845
Books and Supplies	550,720	451,239	584,223
Services and Other Operating Expenses	2,448,350	2,438,394	2,604,325
Capital Outlay	37,241	25,698	0
Debt Service: Principal Retirement	32,572	0	0
Debt Service: Interest and Fiscal Charges	17,984	0	0
Other Expenditures/Outgo	(25,909)	0	49,952
Transfers of Indirect/Direct Support Costs	0	(25,173)	(19,832)
Total Expenditures	$13,136,685	$13,765,242	$15,258,311
Excess of Revenues Over/(Under) Expenditures	431,582	1,374,895	(766,155)
Other Financing Sources (Uses)			
Transfers In	65,809	70,610	73,936
Transfers Out	(65,809)	(72,727)	(98,593)
Other sources	0	0	0
Total Other Financing Sources (Uses)	$0	($2,117)	($24,657)
Net Change in Fund Balance	431,582	1,372,778	(790,812)
Fund Balance, July 1	$3,702,863	$4,134,445	$5,507,223
Fund Balance, June 30	$4,134,445	$5,507,223	$4,716,411

Source: John Swett Unified School District Audit Reports for fiscal years 2005-06 through 2007-08.

The following table shows the District's 2008-09 Adopted Budget, 2008-09 Estimated Actuals, and the 2009-10 Adopted Budget.

Table No. 9
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2008-09 (Adopted Budget and Estimated Actuals)
and 2009-10 (Adopted Budget)
JOHN SWETT UNIFIED SCHOOL DISTRICT

	Adopted Budget [1] 2008-09	Estimated Actuals [2] 2008-09	Adopted Budget [2] 2009-10
Revenues			
Revenue Limit Sources	$9,570,129	$9,211,577	$8,774,529
Federal revenues	1,311,924	1,446,033	1,447,596
Other state revenues	2,077,213	2,085,961	1,825,256
Other local revenues	1,056,481	1,056,481	651,878
Total Revenues	$14,015,747	$13,800,052	$12,699,259
Expenditures			
Certificated Salaries	$6,880,241	$6,959,641	$6,435,094
Classified Salaries	2,021,854	2,011,854	2,017,607
Employee Benefits	3,384,273	3,394,478	3,252,638
Books and Supplies	616,875	608,264	471,429
Services and Other Operating Expenditures	2,861,246	2,941,095	2,320,562
Capital outlay	14,836	14,836	0
Other Outgo	49,057	49,057	0
Total Expenditures	$15,828,382	$15,979,225	$14,497,330
Excess of Revenues Over/(Under) Expenditures	(1,812635)	(2,185,173)	(1,798,071)
Other Financing Sources (Uses)			
Operating Transfers In	75,087	75,087	180,000
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	$75,087	$75,087	$180,000
Net Change in Fund Balance	(1,737,548)	(2,110,086)	(1,618,071)
Fund Balance, July 1	$4,716,412	$4,716,411	$2,606,325
Fund Balance, June 30	$2,978,864	$2,606,325	$988,254

(1) 2008-09 Third Interim Report.
(2) 2009-10 Adopted Budget.
Source: John Swett Unified School District 2008-09 Third Interim Report and 2009-10 Adopted Budget.

Budget Process

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The District is on a single budget cycle and adopts its budget on or before July 1.

For budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education pursuant to Education Code Section 33127 and identify technical corrections, if necessary, to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. In addition to his or her own analysis of the budget, the county superintendent must review and consider studies and reports that contain evidence that the district is in fiscal distress.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. If a budget has not been submitted by a district, the county superintendent will develop a budget for the district, which will be deemed adopted and may include modifications of the district's governing board.

Budgets will be conditionally approved or disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor to assist the district to develop a budget in compliance with those revisions. In addition, pursuant to Education Code Section 42127, the county superintendent may appoint a committee to examine and comment on the superintendent's recommendations, provided that the committee must report its findings no later than August 20.

On or before September 8, the governing board of the district with a conditionally approved or disapproved budget must revise the adopted budget to reflect changes in projected income or expenditures subsequent to July 1, include any response to the recommendations of the county superintendent of schools, adopt the revised budget and file it with the county superintendent. The revised budget will be reviewed and approved or disapproved by the county superintendent by October 8.

For budgets which are disapproved, the county superintendent will call for the formation of a budget review committee, unless the district waives such committee, in which case the county superintendent will have the responsibility of a budget review committee. If no budget is adopted by November 30, the Superintendent of Public Instruction may adopted a budget for the district.

Under the provisions of AB 1200, each school district is required to file interim certifications with the County Office of Education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The County Office of Education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

The District has never had an adopted budget disapproved by the County Superintendent of Schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200. The District self-reported a "qualified" certification of its Second Interim Financial Report in fiscal year 2008-09 due to a recent decline in enrollment and reductions in state funding. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget – The 2009 Budget Act." The District is working closely with the County Office of Education to implement measures to ensure the District's fiscal stability.

State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance ("A.D.A."). Such apportionments will, generally speaking, amount to the difference between the District's revenue limit and the District's local property tax allocation. 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 California school districts.

A schedule of the District's A.D.A. during the past ten fiscal years is shown below.

Table No. 10
Average Daily Attendance
Fiscal Years 2000-01 through 2009-10
JOHN SWETT UNIFIED SCHOOL DISTRICT

Fiscal Year	Average Daily Attendance
2000-01	1,868
2001-02	1,802
2002-03	1,732
2003-04	1,684
2004-05	1,715
2005-06	1,675
2006-07	1,638
2007-08	1,626
2008-09	1,600
2009-10*	1,579

*projected
Source: John Swett Unified School District.

California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts.

Revenue Sources

The District categorizes its general fund revenues into four sources:

Table No. 11
District Revenue Sources
JOHN SWETT UNIFIED SCHOOL DISTRICT

	Percentage of Total General Fund Revenues				
Revenue Source	2005-06	2006-07	2007-08	2008-09 (2)	2009-10 (2)
Revenue limit sources (1)	68.9%	64.7%	68.6%	66.8%	69.1%
Federal revenues	7.1	5.0	5.7	10.5	11.4
Other State revenues	12.5	19.0	15.1	15.1	14.4
Other local revenues	11.4	11.3	10.6	7.7	5.1

(1) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues.
(2) Figures from the 2009-10 Adopted Budget.
Source: John Swett Unified School District.

Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Federal Revenues. The federal government provides funding for several District programs, including special education and programs such as No Child Left Behind, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools and Education for Economic Security.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, 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 in 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. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional materials. Lottery revenues generally comprised approximately 2% of general fund revenues.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" herein). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

Long-Term Indebtedness

General Obligation Bonds. The District authorized bonds at a regularly scheduled election of the registered voters of the District held on March 5, 2002, at which 55% or more of the voters authorized the issuance and sale of $10 million of general obligation bonds to finance the building, equipment, and furnishing of a new elementary school (the "2002 Authorization").

On June 26, 2002, the District issued General Obligation Bonds Election of 2002, Series A, in the amount of $10,000,000. The final maturity is August 1, 2026 and the outstanding amount as of September 1, 2009, is $9,240,000.

Table No. 12
Annual Debt Service
2002 Authorization General Obligation Bonds
JOHN SWETT UNIFIED SCHOOL DISTRICT

Year Ending August 1	Total Annual Debt Service
2009	$651,867.50
2010	669,467.50
2011	691,067.50
2012	711,467.50
2013	730,667.50
2014	753,292.50
2015	774,055.00
2016	797,775.00
2017	824,325.00
2018	846,575.00
2019	871,575.00
2020	899,075.00
2021	928,825.00
2022	955,575.00
2023	984,325.00
2024	1,014,825.00
2025	1,042,525.00
2026	1,076,100.00
TOTAL	$15,223,385.00

Lease Obligations

The District currently leases equipment under agreements that provide for title to pass upon expiration of the lease period. The capital leases have minimum lease payments as follows:

Year Ending June 30	Lease Payment
2009	$ 49,056
2010	48,556
2011	48,056
2012	47,556
2013	47,112
2014	46,612
Total	$286,948
Less Interest	(42,140)
Present Value of Lease Payments	$244,808

COUNTY INVESTMENT POOL

Under the California Education Code, the District is required to pay all monies received from any source into the County Treasury to be held on behalf of the District. Therefore, the District's funds, including moneys in the Building Fund and the Debt Service Fund, as well as property taxes collected to pay debt service on the Series A Bonds, will be held and invested at one time or another by the Treasurer.

The County Investment Pool. As required by state law, the District deposits all of its general fund revenues with the County Investment Pool. Regarding the County Investment Pool, the County has provided the following information:

Decisions on the investment of funds in the County Investment Pool are made by the Treasurer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. Investment decisions are governed by California Government Code Section 53600, et. seq. and the Treasurer's Statement of Investment Policy dated June, 2009. The Investment Policy adopted on January 20, 2009, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of principal
2. Liquidity
3. Yield

The Treasurer prepares a quarterly Investment Report (the "Investment Report") summarizing the status of the County Investment Pool, including the current market value of all investments. The Investment Report is submitted to the Board of Supervisors, for formal action to approve it. According to the Investment Report for the quarter ending March 31, 2009, the March 31, 2009 book value of the Treasury Pool was approximately $1,898,584,707 and the corresponding market value was approximately $1,903,858,637. As of March 31, 2009, the weighted average maturity of the portfolio was 105.28 days.

The following table identifies the types of securities held by the Pool as of March 31 2009.

Type of Investment	Cost Value	Market Value	% of Total Market Value
U.S. Treasuries	$20,854,375.69	$21,973,371.28	1.15%
U.S. Agencies	280,549,857.35	285,190,370.86	14.98
Bankers Acceptances	57,926,223.69	57,810,381.59	3.04
Repurchase Agreements	209,547,000.00	209,547,000.00	11.01
Commercial Paper	430,351,460.88	430,272,216.12	22.60
Negotiable Certificates of Deposit	189,000,243.00	188,587,157.13	9.91
Corporate Notes	49,751,187.95	49,007,653.47	2.57
Time Deposit	20,003,076.96	19,936,835.01	1.05
Local Agency Investment Fund	431,441,674.65	432,231,011.00	22.70
Other	129,460,402.11	129,603,436.07	6.81
Cash	79,699,204.55	79,699,204.55	4.19
Total	$1,898,584,706.83	$1,903,858,637.08	100.00%

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

Principal of and interest on the Series A Bonds are payable solely from the proceeds of an ad valorem tax levied by the County, in an amount sufficient for the payment thereof. The discussions herein of the role of the State in funding K-12 school districts is relevant to District's general financial operations. However, tax revenues used to pay debt service on the Bonds are not affected by the amount of financial support received by the District from the State of California.

State Funding of Education

The State 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 the 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. Neither the District, the County, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. 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 the 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 Treasurer's website, where recent official statements for State bonds are posted. *The references to Internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", 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 at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The 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 at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office (the "LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Tax Shifts and Triple Flip. Assembly Bill No. 1755 ("AB 1755"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required ERAF shift to $135 million. Legislation commonly referred to as the "Triple Flip," was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip", one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 8 to 12 years.

2008-09 State Budget. On September 23, 2008, the Governor signed the 2008-09 State Budget into law (the "2008-09 Budget"). The 2008-09 Budget attempted to resolve the $24.3 billion budget deficit identified in the May (2008) Revision to the Governor's Proposed Budget. The 2008-09 Budget, as adopted, projected revenues of $103.027 billion in 2007-08 and $101.991 billion in 2008-09 (representing an increase of $1.837 billion in 2007-08 and a decrease of $996 million in 2008-09, compared with the May Revision), provided a modest reserve of $1.7 billion, but projected a deficit of $1.0 billion in 2009-10.

Special Session – Revisions to 2008-09 Budget; 2009-10 Adopted State Budget. Below is a summary of legislative actions from November 5, 2008 through February 20, 2009, on which date the Governor signed a budget package addressing the 2008-09 Budget deficit, and adopting the 2009-10 Budget.

November 5, 2008. The Governor called the State Legislature into special session to deal with a budget deficit of $11 billion which had arisen since the 2008-09 budget was adopted, principally because of a shortfall in revenues. This special session extended through February 19, 2009.

January 8, 2009. The LAO released its report on the 2009-10 Proposed Budget. The LAO states that the 2009-10 Proposed Budget is generally reasonable but will likely be subject to risks associated with continued deterioration of the economy and additional costs that the State is likely to incur but are not included in the 2009-10 Proposed Budget. In addition, the 2009-10 Proposed Budget relies heavily on State borrowing that is subject to voter approval, the favorable resolution of legal issues, and the State's access to credit markets.

January 9, 2009. The Governor submitted his proposed 2009-10 Budget (the "2009-10 Proposed Budget") to the State Legislature. The 2009-10 Proposed Budget assumed that, without corrective action, the State will face a deficit of $39.6 billion at the end of 2009-10. Consequently, the 2009-10 Proposed Budget proposed $41.7 billion in budgetary solutions to close the gap and establish a $2.2 billion reserve, resulting from spending reductions, revenue increases, accounting changes and debt issuances. Included in the proposals were (i) issuance of $4.7 billion in revenue anticipation warrants, (ii) lowering the value of the dependent credit for income tax returns, (iii) capturing savings in K-14 education through spending reductions, accounting changes and cost deferrals, (iv) raising $5 billion in proceeds with the securitization of lottery revenues, (v) redirecting $500 million in revenues from Proposition 10 cigarette tax and Proposition 63 income tax surcharge, (vi) a temporary increase in the State sales tax rate of 1.5 cents per dollar, and (vii) an extension of the State sales and use tax to include additional services, as well as an increase of 5 cents on the alcohol excise tax. Many of these proposals will require voter approval to be implemented.

January 14, 2009. The LAO released its report entitled "California's Cash Flow Crisis" stating that the State's cash flow has deteriorated steadily since the end of calendar year 2007 due to, among other things, sharply weakened General Fund revenues and limited access to credit markets. In addition, the report predicts that the State will have $3.2 billion in available cash by the end of January 2009, but warns that this amount will not be sufficient for normal cash flow operations with budgeted appropriations through the end of fiscal year 2008-09.

February 19, 2009. The California Legislature voted to approve a budget package (the "Budget Package") addressing the State's $42 billion deficit, which includes $15 billion in State spending reductions, $12.8 billion in temporary tax increases (including an increase in the vehicle license fee and an increase in State sales and income taxes), $11.4 billion in borrowing and a $1 billion reserve. The Budget Package included revisions to the 2008-09 Budget (the "current year") and adoption of the 2009-10 Budget, covering a 17-month period ending July 1, 2010 (the "budget year"), addressing spending reductions, revenue increases, economic stimulus and increasing governmental efficiency. Certain measures contained in the Budget Package required voter approval at a special State-wide election which was held on May 19, 2009. Because the voters rejected the three propositions on the special election ballot that would have helped balance the State's budget, further revisions were needed to the Budget (see "May 14, 2009 Budget Revision" below). Key provisions of the Budget Package were:

- *Education Spending Reductions*: Significant Proposition 98-related reductions, consisting of approximately $7.4 billion in reductions in Proposition 98 funding in 2008-09 compared to the adopted 2008-09 Budget Act, through $2.4 billion in program reductions and savings and $5 billion in Proposition 98 funding deferrals and fund swaps. The 2009-10 Budget provided for $400 million in fund swaps and a total Proposition 98 funding of $55.3 billion, which was $400 million less than the total amount proposed in 2008-09.

- *Health and Human Services Reductions*: Approximately $1.6 billion in reductions by eliminating cost-of-living increases, cutting payments to certain centers serving the disabled, reducing monthly public assistance benefit payments, and delaying projects.

- *State Employee Payroll Reductions*: Approximately $1.4 billion in reductions by implementing furloughs, reductions in overtime, and elimination of some state paid holidays.

- *Sales Tax Increase*: A 1-cent increase in the State sales tax, generating approximately $5.9 billion (2 years).

- *Vehicle License Fee Increase*: Increasing the fee from 0.65% to 1.15% (2 years).

- *State Personal Income Tax Increase*: Imposing a 0.25% surcharge on personal income tax and reducing the dependent tax credit (2 years).

- *State Lottery*: Provisions modernizing the State Lottery to generate approximately $5 billion in revenues in 2009-10.

- *Reducing State Categorical Funding for Education; Increasing Categorical Flexibility*: Reductions in K-12 categorical programs estimated at approximately 15%. However, to mitigate program reductions, the budget provides for categorical funding flexibility over 5 years, allowing the transfer of funds from 40 categorical programs to the general fund, commencing in 2008-09. In addition, categorical ending balances can be used for general purpose activities in the current and budget year with certain exclusions.

February 13, 2009. The U.S. House of Representatives and the Senate approved the American Recovery and Reinvestment Act, which commits a total of $787 billion nationwide. A report issued by the LAO entitled “Federal Economic Stimulus Package: Fiscal Effect on California” estimates that the State will receive over $31 billion in aid and billions more in competitive grants. The LAO estimates that about $8 billion of these funds will be available in 2008-09 and 2009-10 to relieve the State’s budgetary problems. Of this amount, the State’s health programs will receive the largest share (about $9 billion) and education-related programs will receive nearly $8 billion. Labor and workforce development and social services programs will receive about $6 billion and $3.5 billion, respectively. By April 1, 2009 the State Director of Finance and State Treasurer will re-calculate the $8 billion estimate. If the amount is less than $10 billion, then annual State program reductions of nearly $1 billion and revenue increases of about $1.8 billion adopted as part of the 2009-10 Budget will go into effect.

February 20, 2009. The Governor signed the Budget Package. The Governor used his line item veto authority in an attempt to achieve $1 billion more in State General Fund savings in the 2009-10 Budget. This included at least a 10% reduction in expenditures for certain State offices through furlough days, elimination of positions, overtime reform and reducing paid State holidays, replacing State General Fund appropriations with respect to higher education with federal funds, and finding savings through reforms and cost-saving measures with the California Department of Corrections and Rehabilitation.

March 13, 2009 LAO Report. On March 13, 2009, the LAO updated its revenue forecast and projects that revenues will fall short of the assumptions in the 2009-10 Budget by $8 billion and that number of the adopted solutions—revenue increases and spending reductions—are of a short–term duration. Thus, without corrective actions, the State's huge operating shortfalls will reappear in future years—growing from $12.6 billion in 2010–11 to $26 billion in 2013.

May 7, 2009 LAO Report. On May 7, 2009, the LAO reported that, as result of the budget and cash pressures of recent months, the General Fund's "cash cushion"—the monies available to pay State bills at any given time—currently is projected to end fiscal year 2008-09 at a much lower level than normal. Without additional legislative measures to address the State's fiscal difficulties or unprecedented amounts of borrowing from the short-term credit markets, the State would not be able to pay many of its bills on time for much of fiscal year 2009-10. Deterioration of the state's economic and revenue picture (such as the $8 billion revenue shortfall the LAO forecast in March 2009) or failure of measures in the May 19 special election would increase the State's cash flow pressures substantially—potentially increasing the short-term borrowing requirement to well over $20 billion. The LAO concluded that the State is likely to have difficulty borrowing anywhere close to the needed amounts from the short-term bond markets based on the State's own credit. The LAO advised the Legislature to reduce the State's short-term borrowing need to an amount under $10 billion for fiscal year 2009-10, which would require pursuit of two options: (i) additional actions to increase revenues or decrease expenditures in order to return the fiscal year 2009-10 budget to balance and (ii) additional actions to delay or defer scheduled payments to schools, local governments, service providers, and others.

May 14, 2009 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. On May 14, 2009, the Governor released the May Revision, which included two alternative proposals to revise the State budget to address the State's increasing deficit. The specific proposal to be considered depended, in part, on the result of certain statewide ballot measures on the May 19, 2009 special election ballot.

Because the voters of the State rejected the three propositions on the special election ballot that would have helped balance the State's budget, the Governor estimated a budget shortfall of $21 billion in 2009-10. The Legislature and the Governor will now need to agree to billions of dollars of additional spending cuts, tax increases or other budgetary solutions to bring the budget back into balance. Proposals in the May Revision included various expenditure cuts, borrowings and other measures. Such cuts and other measures may include reducing State payments to school districts by shortening the school year by 5 to 7.5 days, increasing class sizes and laying off additional teachers as needed to absorb reduced funding levels. Further details concerning the Governor's revised budget are expected to be available at http://www.ebudget.ca.gov/. The District cannot predict the exact impact any such budget reductions will have on its General Fund operating budget for the coming fiscal year.

May 21, 2009 LAO Report. On May 21, 2009, the LAO commented on the May Revision, stating that the Governor's estimate of a new $21 billion budget problem is reasonable and the May Revision proposals include major spending reductions and serious efforts for long–term state efficiencies and savings. The LAO reiterated that by acting quickly and reducing reliance on some of the Governor's riskiest proposals--such as financing $5.5 billion of the deficit by issuing revenue anticipation warrants--the Legislature can return the budget to balance, prevent another state cash crunch, and preserve core funding for what it deems to be California's long–term priorities. To accomplish these goals, the Legislature now needs to cut lower–priority programs substantially or eliminate them. To address significant budget deficits forecast in future years, the Legislature also needs to begin work this year on measures that further improve the efficiency of state services for 2010–11 and beyond.

Governor Declares Fiscal Emergency; State Begins Issuing IOU's; Budget Compromise Announced. The Governor announced on July 1 that the budget deficit had grown by $2 billion to $26.3 billion due to the failure of State lawmakers to adopt immediate education cuts and money-shifting plans by the June 30 fiscal year end. He declared a fiscal emergency and ordered a Proposition 58 special session of the Legislature to solve the State's deficit, ordered State employees to take three unpaid furlough days every month and proposed closing the additional $2 billion shortfall largely by cutting school spending even further. To address the State's cash crisis, on July 2 the State began issuing registered warrants, or IOU's, to several classes of creditors, including certain local governments.

2009-10 State Budget Amendments. On July 24, the California legislature approved amendments to the 2009-10 budget involving 30 separate pieces of legislation to close the $26.3 billion shortfall in the State's 2009-10 general fund budget. The Governor signed the budget plan on July 28. Total general fund spending in 2009-10 will be more than $84 billion, down from nearly $91.7 billion in 2008-09 and nearly $103 billion in 2007-08. The budget amendments combine deep spending cuts, borrowing from local governments and accounting maneuvers.

The $15.3 billion in additional spending cuts include:

- $6.1 billion from the K-14 education budget.

- $2.8 billion from the California State University and University of California systems.

- $1.3 billion in savings by furloughing nearly 200,000 state workers three days out of each month.

- Approximately $3. 2 billion from health and human services, including $1.3 billion in cuts to Medicaid.

The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in the 2009-10:

- $2 billion borrowed from counties' property tax collections under provisions of Proposition 1A approved by the voters in 2004, but the State must repay counties with interest within three years.

- $1.7 billion shift from redevelopment agencies into State funds in exchange for extending the number of years the agencies could collect tax increment.

- $1 billion in revenues to be generated by selling a portion of the State Compensation Insurance Fund's workers compensation insurance portfolio.

- $1.2 billion in savings from a one-time deferment of state worker paychecks for one day, moving them into the next fiscal year.

- $1.7 billion in revenues by requiring taxpayers who make quarterly estimated payments to pay more in the first six months. This will result in lower revenues in the first half of the next fiscal year.

- $600 million in revenues by increasing income tax withholdings from paychecks. This allows the State to grab more tax revenue earlier but will result in lower revenue later due to higher tax refunds or less taxes owed.

The accounting shifts rely on the assumption that an economic recovery will be well underway in the next fiscal year and many economists believe that they will result in a huge budget shortfall next year. Additionally, borrowing revenues from local governments is likely to result in litigation.

The approved budget amendments discarded plans to take $1 billion in gasoline tax revenues from local governments and failed to approve $100 million in revenue from oil leases to be sold in the Santa Barbara Channel. Instead, the legislature intended the $1.1 billion difference was to be made up by tapping out the general fund reserve. The Governor, however, exercised his line-item veto power to make nearly $500 million in additional cuts to social services, state prisons and higher education, and providing for a general fund reserve of $500 million.

K-14 Spending Cuts. Total Proposition 98 funding is reduced by $2.1 billion in 2008-09 and $4.5 billion in 2009-10 compared to the levels appropriated in the February Budget Act. However, Proposition 98 General Fund savings are $5.3 billion in 2009-10 because of the property tax shift of $850 million from redevelopment agencies to schools.

Additional detail with respect to the effect of the budget amendments relating to K-14 education follows:

- A $1.6 billion “recapture” of 2008-09 categorical funding for schools that had been appropriated but not actually sent to districts and county offices. This was seen as the only way to reduce funding for the fiscal year ending 2008-09, thereby lowering the base for 2009-10. To equalize the impact among all districts, the categorical cuts will be restored in 2009-10 and an equal amount of approximately $250 per ADA will be reduced from revenue limits statewide.
- $2.4 billion from 2009-10 general-purpose spending for local educational agencies resulting in cuts of approximately $390 per ADA.
- $1.7 billion of 2009-10 payments that will be deferred from April and May into August of fiscal year 2010-11.

Additional changes include provisions to permit school districts to reduce the number of school days by five days to 175 days through 2012-13 and lowering the reserve requirement for economic uncertainty to one-third of the usual requirement.

Information about State budgets is regularly available at various State-maintained websites. See: www.dof.ca.gov, under the heading “California Budget”. Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets. However, the obligation to levy *ad valorem* taxes upon all taxable property within the District for the payment of principal of and interest on the Series A Bonds would not be impaired.

The State has not entered into any contractual commitment with the District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the District or the owners of the Series A Bonds. Although the District and the Underwriter believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the voters of the district, but only if certain accountability measures are included in the proposition. As described under "THE SERIES A BONDS – Authority for Issuance", the District received authorization by a requisite 55% of voters to issue the Series A Bonds and has stated that it will comply with all applicable accountability measures required by law. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Constitutional Appropriations Limitation

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution. See "Proposition 98" and "- Proposition111" below.

The District does not anticipate that the provisions of Article XIIIB will affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Series A Bonds.

Article XIIIC and Article XIIID of the California Constitution

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

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

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Series A Bonds.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Santa Barbara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit*.* The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues*.* "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit*.* Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit*.* The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee*.* There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and the Propositions 62, 98, 111, and 218 discussed above were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

LEGAL OPINION

The proceedings in connection with the issuance of the Series A Bonds are subject to the approval as to their legality of Miller Brown & Dannis, San Diego, California, Bond Counsel for the District. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Series A Bond. The fees of Bond Counsel are contingent upon the issuance and delivery of the Series A Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Miller Brown & Dannis, San Diego, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the Series A Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Series A Bonds.

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

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Series A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Series A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series A Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series A Bonds who purchase the Series A Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series A Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Series A Bond (said term being the shorter of the Series A Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series A Bond is amortized each year over the term to maturity of the Series A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Series A Bond premium is not deductible for federal income tax purposes. Owners of Premium Series A Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series A Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Series A Bonds is exempt from California personal income taxes.

Other Tax Considerations. Owners of the Series A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series A Bonds other than as expressly described above.

Bank Qualified. The District has designated the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Series A Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Series A 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 Series A Bonds.

RATING

Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc. (“S&P”) is expected to assign the rating of “AAA” to the Series A Bonds with the understanding that upon delivery of the Series A Bonds, a financial guaranty insurance policy guaranteeing the scheduled payment of principal of and interest on or Maturity Value of the Series A Bonds when due will be issued by Assured Guaranty Corp. In addition, S&P assigned an underlying rating of “A+” to the Series A Bonds. The District has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement). Such ratings reflect only the view of those organizations and an explanation of the significance of such ratings or ratings outlooks may be obtained only from S&P. There is no assurance that any credit ratings given to the Series A Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series A Bonds.

UNDERWRITING

The Series A Bonds are being purchased by Stone & Youngberg LLC (the “Underwriter”). The Underwriter has agreed to purchase the Series A Bonds at a price of $6,001,174.85 (which is equal to the initial principal amount of the Series A Bonds ($6,001,174.85) plus original issue premium ($354,962.15) less original issue premium retained by the Underwriter in the amount of $354,962.15 to pay the Underwriter's discount of $96,018.80 and estimated costs of issuance (including bond insurance premium) in the amount of $258,943.35). The purchase contract relating to the Series A Bonds provides that the Underwriter will purchase all of the Series A Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Series A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the District and following delivery of the Series A Bonds will be on file at the offices of the Bond Registrar in San Francisco, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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

The execution and delivery of this Official Statement have been duly authorized by the District.

JOHN SWETT UNIFIED SCHOOL DISTRICT

By: /s/ Mike McLaughlin
Superintendent

APPENDIX A

ACCRETED VALUE TABLES

John Swett Unified School District
2009 General Obligation Bonds
Election of 2008, Series A

Capital Appreciation Bonds
Table of Accreted Values

Date	CABs 8/1/30 8.250%	CABs 8/1/31 12.000%	CABs 8/1/32 12.000%	CABs 8/1/33 12.000%	CABs 8/1/34 12.000%
9/17/09	$925.00	$390.80	$347.80	$309.55	$275.50
2/1/10	953.25	408.10	363.25	323.25	287.70
8/1/10	992.55	432.60	385.00	342.65	304.95
2/1/11	1,033.50	458.55	408.10	363.25	323.25
8/1/11	1,076.15	486.10	432.60	385.00	342.65
2/1/12	1,120.55	515.25	458.55	408.10	363.25
8/1/12	1,166.75	546.15	486.10	432.60	385.00
2/1/13	1,214.90	578.95	515.25	458.55	408.10
8/1/13	1,265.00	613.70	546.15	486.10	432.60
2/1/14	1,317.20	650.50	578.95	515.25	458.55
8/1/14	1,371.50	689.55	613.70	546.15	486.10
2/1/15	1,428.10	730.90	650.50	578.95	515.25
8/1/15	1,487.00	774.75	689.55	613.70	546.15
2/1/16	1,548.35	821.25	730.90	650.50	578.95
8/1/16	1,612.20	870.55	774.75	689.55	613.70
2/1/17	1,678.70	922.75	821.25	730.90	650.50
8/1/17	1,747.95	978.15	870.55	774.75	689.55
2/1/18	1,820.05	1,036.80	922.75	821.25	730.90
8/1/18	1,895.15	1,099.05	978.15	870.55	774.75
2/1/19	1,973.35	1,164.95	1,036.80	922.75	821.25
8/1/19	2,054.75	1,234.85	1,099.05	978.15	870.55
2/1/20	2,139.50	1,308.95	1,164.95	1,036.80	922.75
8/1/20	2,227.75	1,387.50	1,234.85	1,099.05	978.15
2/1/21	2,319.65	1,470.75	1,308.95	1,164.95	1,036.80
8/1/21	2,415.30	1,559.00	1,387.50	1,234.85	1,099.05
2/1/22	2,514.95	1,652.55	1,470.75	1,308.95	1,164.95
8/1/22	2,618.70	1,751.70	1,559.00	1,387.50	1,234.85
2/1/23	2,726.70	1,856.80	1,652.55	1,470.75	1,308.95
8/1/23	2,839.20	1,968.20	1,751.70	1,559.00	1,387.50
2/1/24	2,956.30	2,086.30	1,856.80	1,652.55	1,470.75
8/1/24	3,078.25	2,211.50	1,968.20	1,751.70	1,559.00
2/1/25	3,205.25	2,344.15	2,086.30	1,856.80	1,652.55
8/1/25	3,337.45	2,484.80	2,211.50	1,968.20	1,751.70
2/1/26	3,475.15	2,633.90	2,344.15	2,086.30	1,856.80
8/1/26	3,618.50	2,791.95	2,484.80	2,211.50	1,968.20
2/1/27	3,767.75	2,959.45	2,633.90	2,344.15	2,086.30
8/1/27	3,923.15	3,137.05	2,791.95	2,484.80	2,211.50
2/1/28	4,085.00	3,325.25	2,959.45	2,633.90	2,344.15
8/1/28	4,253.50	3,524.80	3,137.05	2,791.95	2,484.80
2/1/29	4,428.95	3,736.25	3,325.25	2,959.45	2,633.90
8/1/29	4,611.65	3,960.45	3,524.80	3,137.05	2,791.95
2/1/30	4,801.90	4,198.05	3,736.25	3,325.25	2,959.45
8/1/30	5,000.00	4,449.95	3,960.45	3,524.80	3,137.05
2/1/31	--	4,716.95	4,198.05	3,736.25	3,325.25
8/1/31	--	5,000.00	4,449.95	3,960.45	3,524.80
2/1/32	--	--	4,716.95	4,198.05	3,736.25
8/1/32	--	--	5,000.00	4,449.95	3,960.45
2/1/33	--	--	--	4,716.95	4,198.05
8/1/33	--	--	--	5,000.00	4,449.95
2/1/34	--	--	--	--	4,716.95
8/1/34	--	--	--	--	5,000.00

APPENDIX B

EXCERPTS OF AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2008

NIGRO NIGRO &WHITE PC

A Professional Accountancy Corporation

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

MURRIETA OFFICE
PH: 951.698.8783
FAX: 951.699.1064
25090 Jefferson Avenue
Murrieta, CA 92562

SAN DIEGO OFFICE
PH: 619.270.8222
FAX: 619.260.9085
2727 Camino Del Rio S.
Suite 219
San Diego, CA 92108

MEMBERS OF
- American Institute of CPAs
- California Society of CPAs
- California Association of School Business Officials
- Community Associations Institute

WEBSITE
www.nnwcpa.com

Licensed by the California Board of Accountancy

Board of Trustees
John Swett Unified School District
Rodeo, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the John Swett Unified School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the John Swett Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the John Swett Unified School District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 5, 2008 on our consideration of the John Swett Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 and budgetary comparison information on page 42 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. 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.

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

Rizzo Rizzo & White, PC

San Diego, California
December 5, 2008

Management's Discussion and Analysis

This discussion and analysis of John Swett Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets decreased 4.4% over the course of the year, primarily due to a deferred revenue liability of $5.9 million to be received for an emergency repair state grant award.
- Overall government-wide revenues were $16.4 million. Revenues were $1.2 million less than expenses.
- The total cost of basic programs was approximately $17.5 million.
- The District decreased its outstanding long-term debt $305,706 or 2% over the prior year.
- Average daily attendance (ADA) in grades K-12 decreased by 14, or 1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of John Swett Unified School District's Annual Financial Report

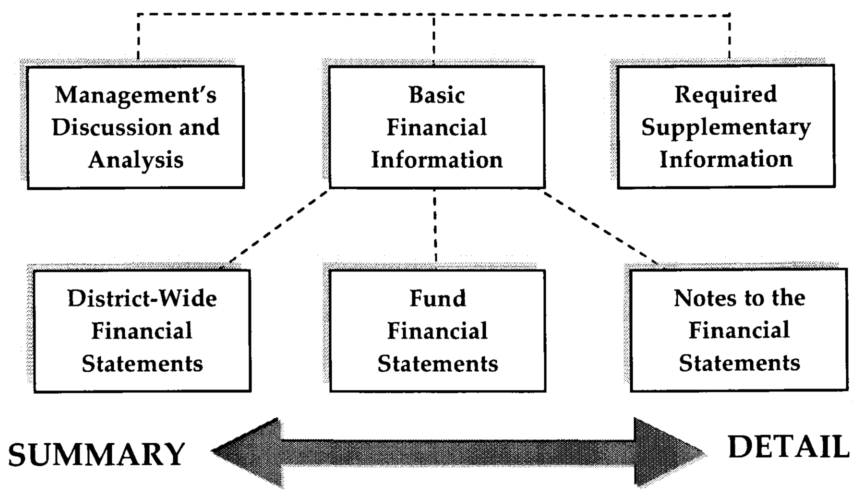

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

District-wide Statements

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

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

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

- To assess the overall health of the District, you need to consider additional non-financial 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 financial 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 additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, 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. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets: The District's combined net assets were lower on June 30, 2008, than they were the year before – decreasing 4.4% to $25.2 million. (See Table A-1).

Table A-1
John Swett Unified School District's Statement of Net Assets
(In dollars)

	Governmental Activities		Total Percentage Change
	2007	2008	2007-08
Current and other assets	$ 15,824,375	$ 20,624,252	30%
Capital assets	21,558,682	20,872,916	-3%
Total assets	37,383,057	41,497,168	11%
Other liabilities	999,402	6,436,650	544%
Long-term liabilities	10,061,643	9,891,882	-2%
Total liabilities	11,061,045	16,328,532	48%
Total net assets	$ 26,322,012	$ 25,168,636	-4%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in net assets, governmental activities. The District's total revenues were $16.4 million (See Table A-2). This is an increase of about $3.1 million, which is due to a $5.6 million payment back to the State for sale of school site funds that occurred in 2006-07.

The total cost of all programs and services was $17.5 million. The District's expenses are predominantly related to educating and caring for students, 79%. The purely administrative activities of the District accounted for just 7% of total costs. The total costs increased by 9.6%, primarily due to increased maintenance projects and cost-of-living increases.

Table A-2
Changes in John Swett Unified School District's Net Assets
(In dollars)

	Governmental Activities		Total Percentage Change
	2007	2008	2007-08
Revenues:			
Program revenues			
Charges for services	$ 345,061	$ 349,051	1%
Operating grants and contributions	3,712,983	3,778,549	2%
Capital grants and contributions	(5,619,059)	-	100%
General revenues			
Property taxes	6,563,270	6,798,910	4%
State formula aid	5,275,403	4,709,547	-11%
Other revenues	3,017,041	720,526	-76%
Total revenues	13,294,699	16,356,583	23%
Expenses:			
Instruction-related	10,759,117	11,814,033	10%
Student support services	1,622,038	1,960,410	21%
Maintenance & operations	1,802,069	1,865,153	4%
Administration	1,169,655	1,243,166	6%
Other expenses	623,841	627,197	1%
Total expenses	15,976,720	17,509,959	10%
Change in net assets	$ (2,682,021)	$ (1,153,376)	-57%

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 $14.3 million, which is less than last year's ending fund balance of $14.9 million.

General Fund Budgetary Highlights

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

- Revenues – increased by $2 million primarily to reflect federal and state budget actions and rebudget carryover funds
- Salaries and benefits costs – increased about $.16 to reflect a projected increase in other outgo and other operating expenditures

While the District's final budget for the General Fund anticipated revenues would exceed expenditures by $308,318, the actual results for the year show that revenues actually fell short of expenditures by $766,155. Actual revenues were $5.1 million less than anticipated, but expenditures were $3.9 million less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007-08 the District had invested over $33 million in capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements.)

Table A-3
John Swett Unified School District's Capital Assets

	Governmental Activities (In dollars)		Total Percentage Change
	2007	2008	2007-08
Land	$ 1,619,089	$ 1,619,089	0%
Site Improvements	3,730,657	3,746,507	0%
Buildings	27,358,025	27,325,318	0%
Equipment and furniture	344,101	434,957	26%
Work in progress	137,691	261,257	90%
Total	$ 33,189,563	$ 33,387,128	1%

Long-Term Debt

At year-end the District had $9.9 million in general obligation bonds, capital leases, and compensated absences – a decrease of 2% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table A-4
John Swett Unified School District's Long-Term Debt

	Governmental Activities (In dollars)		Total Percentage Change
	2007	2008	2007-08
General obligation bonds	$ 9,735,160	$ 9,585,000	-2%
Capital leases	280,591	244,808	-13%
G.O. bond premium	-	14,366	100%
Compensated absences	45,892	47,708	4%
Total	$ 10,061,643	$ 9,891,882	-2%

FACTORS BEARING ON THE DISTRICT'S FUTURE

On September 23, 2008, Governor Schwarzenegger signed the 2008-09 Budget, ending the longest budget stalemate in California's history. The final spending plan includes $24.0 billion of "solutions", including $10.3 billion in spending cuts, $9.6 billion in revenue-related provisions, and $4.0 billion in borrowing.

The final budget agreement includes:

- A total of $10.3 billion in spending reductions, including $3.3 billion in cuts to "base" K-14 education spending.
- Changes to the budget process that would substantially increase the size of the state's reserve and limit the use of future revenues that exceed anticipated levels. The agreement also would give governors vast new power to unilaterally reduce spending midway through the budget year.
- Assumes that the state will issue bonds backed by lottery proceeds in 2009-10. The budget agreement includes provisions aimed at doubling the amount Californians spend on lottery purchases and would replace schools' allocation from lottery proceeds with a General Fund appropriation equivalent to the amount allocated to education from the lottery in 2008-09. The General Fund allocation for education would increase over time based on enrollment and per capita personal income growth.
- A one-time shift of $350 million in property tax revenues from redevelopment agencies to schools and a commensurate reduction in state General Fund support for schools and community colleges.

As signed by the Governor, the 2008-09 Budget provides $58.1 billion in funding for K-14 education programs under the Proposition 98 guarantee. The Budget reduces "base" K-14 education spending by $3.3 billion.

The 2008-09 Budget and related legislation:

- Provide a 0.68 percent COLA to fund revenue limits for school districts and county offices of education, which is below the 5.66 percent statutory COLA and the 2.12 percent COLA proposed by the Conference Committee. The 2008-09 Budget does not provide a COLA for categorical programs, such as class size reduction and instructional materials.
- Do not provide $150 million in 2008-09 Proposition 98 "settle-up" funds needed to meet prior-year Proposition 98 obligations.
- Proposed to modify Proposition 49, the After School Education and Safety Program (ASES) Act, by submitting a ballot measure to voters in November 2008. However, the Governor vetoed the bill that would have submitted the measure to voters. The measure would have removed Proposition 49's minimum funding level of $550 million and would have allowed annual ASES budgeting decisions to be made by the Legislature.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (510) 245-4300.

Financial Section

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

	Total Governmental Activities
ASSETS	
Cash	18,696,621
Accounts receivable	1,348,165
Investments	506,292
Prepaid expenses	73,174
Capital assets:	
Land	1,619,089
Improvement of sites	3,746,507
Buildings	27,325,318
Furniture and equipment	434,957
Work in progress	261,257
Less accumulated depreciation	(12,514,212)
Total capital assets, net of depreciation	20,872,916
Total assets	$ 41,497,168
LIABILITIES	
Accounts payable and current liabilities	491,568
Deferred revenues	5,945,082
Long-term liabilities:	
Portion due or payable within one year	
General obligation bonds payable	160,000
Bond Premium	794
Capital leases payable	36,805
Portion due or payable after one year	
General obligation bonds payable	9,425,000
Bond Premium	13,572
Capital leases payable	208,003
Compensated Absences	47,708
Total liabilities	16,328,532
NET ASSETS	
Invested in capital assets, net of related debt	11,028,526
Restricted for:	
Capital projects	8,327,095
Categorical programs	1,610,783
Debt Service	395,779
Unrestricted	3,806,453
Total Net Assets	25,168,636

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Instructional Services:					
Instruction	$ 10,116,552	$ 91,122	$ 2,200,374	$ -	$ (7,825,056)
Instruction-Related Services:					
Supervision of instruction	393,028	323	187,145	-	(205,560)
Instructional library, media and technology	165,885	1,721	58,566	-	(105,598)
School site administration	1,138,568	42	4,135	-	(1,134,391)
Pupil Support Services:					
Home-to-school transportation	713,363	46,396	252,516	-	(414,451)
Food services	579,783	176,312	371,148	-	(32,323)
All other pupil services	667,264	-	193,120	-	(474,144)
General Administration Services:					
Data processing services	106,843	4,133	12,512	-	(90,198)
Other general administration	1,136,323	9,991	93,308	-	(1,033,024)
Plant services	1,865,153	581	325,277	-	(1,539,295)
Ancillary services	84,083	-	-	-	(84,083)
Community services	51,779	-	-	-	(51,779)
Interest on long-term debt	487,288	-	-	-	(487,288)
Other outgo	4,047	18,430	80,448	-	94,831
Total Governmental Activities	$ 17,509,959	$ 349,051	$ 3,778,549	$ -	$ (13,382,359)

General Revenues:	
Taxes:	
Property taxes, levied for general purposes	6,114,919
Property taxes, levied for debt service	604,900
Property taxes, levied for special purposes	79,091
Federal and state aid not restricted to specific purpose	4,709,547
Interest and investment earnings	571,197
Miscellaneous	149,329
Total general revenues	12,228,983
Change in net assets	(1,153,376)
Net assets - July 1, 2007	26,322,012
Net assets - June 30, 2008	$ 25,168,636

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2008

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 3,141,830	$ 14,088,295	$ 1,466,496	$ 18,696,621
Accounts receivable	1,281,242	1,812	65,111	1,348,165
Investments	490,740	-	15,552	506,292
Total Assets	$ 4,913,812	$ 14,090,107	$ 1,547,159	$ 20,551,078
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	$ 166,833	$ 103,696	$ 29,593	$ 300,122
Deferred revenue	30,568	5,914,514	-	5,945,082
Total Liabilities	197,401	6,018,210	29,593	6,245,204
Fund Balances				
Reserved for:				
Revolving cash	4,000	-	-	4,000
Categorical programs	1,610,783	-	-	1,610,783
Unreserved; reported in:				
General fund	3,101,628	-	-	3,101,628
Special revenue funds	-	-	866,589	866,589
Debt Service			395,779	395,779
Capital project funds	-	8,071,897	255,198	8,327,095
Total Fund Balances	4,716,411	8,071,897	1,517,566	14,305,874
Total Liabilities and Fund Balances	$ 4,913,812	$ 14,090,107	$ 1,547,159	$ 20,551,078

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Total fund balances - governmental funds			$ 14,305,874
Amounts reported for governmental *activities* in the statement of net assets are different because capital 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 $33,387,128 and the accumulated depreciation is ($12,514,212).			20,872,916
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:			73,174
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(191,446)
In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liablities relating to governmental activities consist of:			
	General obligation bonds payable	9,584,206	
	Compensated absences payable	47,708	
	Capital leases payable	244,808	
	Other general long term debt	15,160	(9,891,882)
Total net assets - governmental activities			$ 25,168,636

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2008

REVENUES	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
General Revenues:				
Taxes levied for general purposes	$ 6,114,919	$ -	$ -	$ 6,114,919
Taxes levied for debt service	-	-	604,901	604,901
Taxes levied for other specific purposes	-	79,091	-	79,091
Federal and state aid not restricted to specific purpose	4,709,547	-	-	4,709,547
Earnings on investments	235,142	317,117	18,939	571,197
Miscellaneous	123,531	-	25,798	149,329
Program Revenues:				
Charges for services	165,719	-	183,332	349,051
Operating grants and contributions	3,143,299	157,439	477,812	3,778,549
Total revenues	14,492,156	553,647	1,310,782	16,356,584
EXPENDITURES				
Instructional Services:				
Instruction	9,519,534	-	-	9,519,534
Instruction-Related Services:				
Supervision of instruction	373,587	-	-	373,587
technology	165,837	-	-	165,837
School site administration	1,069,433	-	-	1,069,433
Pupil Support Services:				
Home-to-school transportation	713,363	-	-	713,363
Food services	-	-	543,060	543,060
All other pupil services	666,781	-	-	666,781
General Administration Services:				
Data processing services	106,843	-	-	106,843
Other general administration	981,527	-	19,832	1,001,359
Plant services	1,526,479	154,122	58,662	1,739,263
Facility acquisition and construction	892	367,418	(20,195)	348,115
Ancillary services	84,083	-	-	84,083
Other outgo:				
Debt service - principal	35,566	-	135,000	170,566
Debt service - interest	14,386	-	475,565	489,951
Total Expenditures	15,258,311	521,540	1,211,924	16,991,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	(766,155)	32,107	98,858	(635,191)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	73,936	66,408	73,936	214,280
Interfund transfers out	(98,593)	(73,936)	(41,751)	(214,280)
Total Other Financing Sources and Uses	(24,657)	(7,528)	32,185	-
Net Change in Fund Balances	(790,812)	24,579	131,042	(635,191)
Fund Balances, July 1, 2007	5,507,223	8,047,318	1,386,524	14,941,065
Fund Balances, June 30, 2008	$ 4,716,411	$ 8,071,897	$ 1,517,566	$ 14,305,874

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2008

Total net change in fund balances - governmental funds	$	(635,191)
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. The difference between capital outlay expenditures $197,781 and depreciation expense ($883,331) in the period.		(685,550)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		170,566
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:		(4,047)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		1,867
In the statement of activities, compensated absences 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*.)		(1,815)
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the governement-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:		794
Change in net assets of governmental activities	$	(1,153,376)

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2008

	Agency Funds
	Student Body Funds
ASSETS	
Cash	$ 98,242
Total Assets	$ 98,242
LIABILITIES	
Due to Student Groups	$ 98,242
Total Liabilities	$ 98,242

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. 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).

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Deferred revenue:

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

Expenses/expenditures:

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

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

E. Fund Accounting

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Reserve for Capital Outlay Fund* is used to account for funds set aside for capital outlay projects.

Non-major Governmental Funds:

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

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
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 three non-major 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 County School Facilities Fund is used to account for state apportionments provided for modernization of school facilities under SB50.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

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

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

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. 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.

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets (continued)

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

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 exceed qualified expenditures.

5. Compensated Absences

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

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

6. Long-Term Obligations (continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

I. Revenue Limit/Property Tax

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax (continued)

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

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

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

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

J. 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 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

	Governmental funds	Fiduciary funds
Cash in county treasury	$ 18,692,621	$ -
Cash on hand and in banks	-	98,242
Cash in revolving fund	4,000	-
Total deposits	$ 18,696,621	$ 98,242
Investments	$ 506,292	$ -

Policies and Practices

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

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Investments- The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has a fair market value of $506,269 and an amortized book value of $506,292. The interest rate for the investment is 3.11%.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Contra Costa County Investment Pool with a fair value of approximately $18,734,013 and an amortized book value of $18,696,621. The average weighted maturity for this pool is 118.13 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Contra Costa County Investment Pool is rated at least A by Moody's Investor Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District was not exposed to custodial credit risk.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3– ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008 consist of the following:

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Revenues:				
Categorical aid	$ 365,909	$ -	$ 64,992	$ 430,901
State Revenues:				
Apportionment	469,530	-	-	469,530
Categorical aid	282,518	-	-	282,518
Lottery	45,650	-	-	45,650
Local Revenues:				
Interest	-	1,812	120	1,932
Other local	117,635	-	-	117,635
Total	$ 1,281,241	$ 1,812	$ 65,112	$ 1,348,165

NOTE 4 - INTERFUND TRANSACTIONS

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

A .Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the 2007-08 fiscal year are as follows:

	Transfers To Other Funds			
	General Fund	Special Reserve for Capital Outlay Fund	Other Governmental Funds	Total
General Fund	$ -	$ 73,936	$ -	$ 73,936
Special Reserve for Capital Outlay Fund	24,657	-	41,751	66,408
Other Governmental Funds	73,936	-	-	73,936
	$ 98,593	$ 73,936	$ 41,751	$ 214,280

Transfer from the General Fund to the Deferred Maintenance Fund for the state match	$ 73,936
Transfer from the General Fund to the Special Reserve for Capital Outlay Outlay Projects Fund for a FEMA reimbursement of expenditures related to the flood of January 2006	24,657
Transfer from the County School Facilities Fund to the Special Reserve for Capital Outlay Projects Fund for overaccrued expenditures funded by a prior year interfund transfer	41,751
Transfer from the Special Reserve for Capital Outlay Fund to the General Fund for redevelopment agency fees to fund the deferred maintenance match	73,936
Total	$ 214,280

NOTE 5 – FUND BALANCES

The following amounts were designated by the Board of Education for the purposes below:

	General Fund
Revolving Cash	$ 4,000
Restricted Programs	1,610,783
Total Reserved	1,614,783
Unreserved:	
Designated:	
Economic Uncertainties	490,710
Lottery - Resource 1100	35,434
Site Grants & Donations	536,463
Total Designated	1,062,608
Undesignated	2,039,021
Total	$ 4,716,411

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008 is shown below:

	Beginning Balance July 1, 2007	Additions	Deletions	Ending Balance June 30, 2008
Land	$ 1,619,089	$ -	$ -	$ 1,619,089
Site improvements	3,730,657	15,850	-	3,746,507
Buildings and improvements	27,358,025	-	32,707	27,325,318
Furniture and equipment	344,101	90,856	-	434,957
Work in progress	137,691	123,566	-	261,257
Total at historical cost	$ 33,189,563	$ 230,272	$ 32,707	$ 33,387,128
Less accumulated depreciation:				
Site improvements	2,375,547	197,482	-	2,573,029
Buildings	9,020,464	641,787	-	9,662,251
Furniture and equipment	234,870	44,062	-	278,932
Total accumulated depreciation	11,630,881	883,331	-	12,514,212
Governmental activities capital assets, net	$ 21,558,682	$ (653,059)	$ 32,707	$ 20,872,916

Depreciation Expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	$ 597,234
Instructional Services and Administration	19,262
School Site Administration	68,785
Food Services	36,722
Community Services	51,779
All Other General Administration	100,628
Plant Services	8,921
Total Depreciation Expense	$ 883,331

NOTE 7 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
General obligation bonds	$ 9,720,000	$ -	$ 135,000	$ 9,585,000	$ 160,000
General obligation bond premium	15,160	-	794	14,366	794
Compensated absences	45,893	1,815	-	47,708	-
Capital leases	280,592	-	35,784	244,808	36,805
Totals	$ 10,061,645	$ 1,815	$ 171,578	$ 9,891,882	$ 197,599

A. General Obligation Bonds

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on March 5, 2002, at which more than 55% of the voters authorized the issuance and sale of $10 million of general obligation bonds to finance the building, equipment, and furnishing of a new elementary school.

On June 26, 2002, the District issued Series A General Obligation Bonds in the amount of $10,000,000. The issue consists of a), serial bonds in the amount of $7,815,000 with a stated interest rate ranging from 3% to 5% and fully maturing on August 1, 2023, and b), term bonds in the amount of $2,185,000 with a stated interest rate of 5.5% and fully maturing on August 1, 2026.

The annual requirements to amortize the general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2008-2009	$ 160,000	$ 472,868	$ 632,868
2009-2010	185,000	466,867	651,867
2010-2011	210,000	459,468	669,468
2011-2012	240,000	451,067	691,067
2012-2013	270,000	441,468	711,468
2013-2018	1,870,000	2,010,115	3,767,258
2018-2023	3,045,000	1,456,625	4,370,375
2023-2026	3,605,000	512,775	5,073,350
Totals	$ 9,585,000	$ 6,271,253	$ 16,567,721

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Capital Leases

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

Fiscal Year	Payment
2008-09	$ 49,056
2009-10	48,556
2010-11	48,056
2011-12	47,556
2012-13	47,112
2013-14	46,612
Total	286,948
Less Amount Representing Interest	(42,140)
Present Value of Minimum Lease Payments	$ 244,808

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

NOTE 8 – JOINT VENTURES

The John Swett Unified School District participates in three joint powers agreement (JPA) entities, the East Bay Schools Insurance Group (EBSIG) for property and liability insurance, the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance, and the Schools' Self Insurance of Contra Costa County (SSICCC) for dental and vision insurance.

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

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the John Swett Unified School District and the JPAs are such that none of the three JPAs is a component unit of the District for financial reporting purposes. Current financial information for EBSIG and SSICCC can be obtained by contacting each JPA's management. Condensed current financial information of the CCCSIG JPA is shown below:

	CCCSIG Audited June 30, 2007
Assets	$ 86,224,874
Liabilities	83,775,445
Net Assets	$ 2,449,429
Revenues	$ 31,158,254
Expenses	33,198,974
Operating Income	(2,040,720)
Non-Operating Income	3,608,363
Change in Net Assets	$ 1,567,643

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants
The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Litigation
The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to the theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2007-08, the District participated in three joint powers authorities (JPA's) for purposes of pooling for risk. There have been no significant decreases in coverage during the year. See Note 8 for more information on the JPA's.

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.

NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

Public Employees' Retirement System (PERS) (continued)

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. The required employer contribution for fiscal year 2007-08 was 9.306%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006 were $164,834, $184,177, and $135,966, respectively, which represents 100% of the required contributions for each fiscal year.

State Teachers' Retirement System (STRS)

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 2007-08 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, 2008, 2007, and 2006 were $557,050, $515,583, and $455,592, respectively, and equal 100% of the required contributions for each year.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately $428,654 to STRS (4.517% of salaries subject to STRS in 2007-08 and 2.237% of salaries subject to STRS in 2003-04).

NOTE 12 – POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to the benefits described in Note 11, the District provides post employment health care benefits to all eligible retirees. The District pays the insurance premiums to maintain the level of coverage enjoyed by the employee immediately preceding retirement, until the age of 65. Currently, 23 retirees meet these eligibility requirements. During the fiscal year, the District incurred expenditures of $389,741 for post employment health care benefits. The district also contributes a minimum amount as required by CalPERS for retirees over the age of 65.

NOTE 13 –GASB STATEMENT NO. 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The pronouncement will require employers providing postemployment benefits, commonly referred to as other postemployment benefits, or OPEB, to recognize and account for the costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be phased in over three years based upon the entity's revenues. GASB Statement No. 45 will be effective for the John Swett Unified School District beginning in the 2008-09 fiscal year. The District is in the processing of conducting an actuarial valuation to determine the effect of this pronouncement on the financial condition of the District.

NOTE 14- EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in the governmental funds for the fiscal year 2007-08 were as follows:

General Fund	Amount
Certificated Salaries	$ 13,338
Direct Support/Indirect Costs	19,869

Required Supplementary Information

JOHN SWETT UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
Revenue Limit Sources	$ 14,109,516	$ 15,468,781	9,943,288	$ (5,525,493)
Federal	806,449	926,816	824,225	(102,591)
Other State	1,333,802	1,665,004	2,186,297	521,293
Other Local	1,278,771	1,484,872	1,538,346	53,474
Total Revenues	17,528,538	19,545,473	14,492,156	(5,053,317)
Expenditures				
Certificated Salaries	6,729,668	6,786,017	6,799,355	(13,338)
Classified Salaries	2,113,082	2,139,661	2,095,443	44,218
Employee Benefits	3,118,985	3,189,715	3,144,845	44,870
Books and Supplies	511,437	584,223	584,223	-
Services and Other Operating Expenditures	2,648,315	2,983,959	2,604,325	379,634
Capital Outlay	-	1,054	-	1,054
Direct Support/Indirect Costs	-	37	(19,832)	(19,869)
Other Outgo	49,952	49,952	49,952	-
Total Expenditures	15,171,439	15,734,618	15,258,311	436,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,357,099	3,810,855	(766,155)	(4,616,748)
Other Financing Sources and Uses				
Interfund Transfers In	73,936	73,936	73,936	-
Interfund Transfers Out	(98,593)	(98,593)	(98,593)	-
Total Other Financing Sources and Uses	(24,657)	(24,657)	(24,657)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,332,442	3,786,198	(790,812)	(4,616,748)
Fund Balances, July 1, 2007	5,507,223	5,507,223	5,507,223	-
Fund Balances, June 30, 2008	$ 7,839,665	$ 9,293,421	$ 4,716,411	$ (4,616,748)

APPENDIX C

GENERAL INFORMATION ABOUT CONTRA COSTA COUNTY

The following information concerning Contra Costa County and surrounding areas are included only for the purpose of supplying general information regarding the area of the District. The Series A Bonds are not a debt of the County, the State or any of its political subdivisions (other than the District), and neither the County, the State nor any of its political subdivisions (other than the District) is liable therefor.

General Description and Background

Situated northeast of San Francisco, Contra Costa County is bounded by San Francisco Bay to the west, the San Pablo Bay and the Sacramento River delta to the north, by Alameda County on the south, and San Joaquin County on the east. Ranges of hills effectively divide Contra Costa County into three distinct regions. The western portion, with its access to navigatable waterways, contains much of Contra Costa County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. Contra Costa County has extensive and varied transportation facilities – ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The following sets forth the population of the County and its cities estimated as of January 1 for the years 2005 to 2009:

CITIES OF CONTRA COSTA COUNTY
Estimated Population

	2005	2006	2007	2008	2009
Antioch	100,039	99,376	99,357	99,994	100,957
Brentwood	41,954	45,752	48,667	50,584	51,908
Clayton	10,906	10,788	10,728	10,778	10,864
Concord	124,578	123,380	122,923	123,700	124,599
Danville	42,975	42,515	42,447	42,602	43,043
El Cerrito	23,244	23,178	23,081	23,306	23,440
Hercules	23,200	23,535	23,859	24,309	24,480
Lafayette	24,148	23,887	23,836	23,948	24,087
Martinez	36,570	36,138	36,009	36,122	36,348
Moraga	16,334	16,153	16,094	16,128	16,204
Oakley	28,961	29,341	31,747	33,189	34,468
Orinda	17,671	17,470	17,428	17,529	17,669
Pinole	19,469	19,222	19,149	19,260	19,383
Pittsburg	62,172	62,192	62,696	63,352	63,771
Pleasant Hill	33,408	33,046	32,957	33,357	33,547
Richmond	102,309	102,188	103,327	103,899	104,513
San Pablo	31,130	30,830	30,816	31,172	31,808
San Ramon	50,672	56,234	59,501	61,187	63,176
Walnut Creek	66,047	65,293	65,070	65,266	65,860
Balance Of County	160,620	164,991	165,630	168,560	170,310
County Total	1,016,407	1,025,509	1,035,322	1,048,242	1,060,435

Source: State of California Department of Finance, Demographic Research Unit.

Commerce

Total taxable sales during the second quarter of calendar year 2008 in the County were reported to be $3,478,408,000, a 2.3% decrease over the total taxable sales of $3,558,538,000 reported during the second quarter of calendar year 2007. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County for 2003 to 2007 is presented in the following table. Annual figures are not yet available for 2008.

COUNTY OF CONTRA COSTA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions ($000)	Number of Permits	Taxable Transactions ($000)
2003	11,575	$9,025,114	23,253	$12,223,295
2004	11,717	9,697,365	23,571	12,990,538
2005	11,776	10,072,084	23,692	13,480,075
2006	11,467	10,275,907	23,249	13,867,661
2007	11,131	10,109,704	23,181	14,086,295

Source: State Board of Equalization.

Employment and Industry

The following table shows the average annual estimated numbers of wage and salary workers by industry for the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa counties. Figures do not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

OAKLAND MSA
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2004	2005	2006	2007	2008
Civilian Labor Force (1)	1,254,300	1,251,000	1,257,500	1,272,700	1,295,700
Employment	1,182,700	1,188,000	1,202,500	1,213,000	1,215,500
Unemployment	71,600	63,000	55,000	59,800	80,200
Unemployment Rate	5.7%	5.0%	4.4%	4.7%	6.2%
Agriculture	1,500	1,600	1,500	1,500	1,400
Natural Resources and Mining	1,200	1,100	1,200	1,200	1,200
Construction	69,800	72,800	73,300	71,700	64,600
Manufacturing	98,200	95,600	95,800	94,400	93,300
Wholesale Trade	49,200	48,600	48,800	48,700	48,000
Retail Trade	110,500	112,100	113,300	113,300	110,700
Trans., Warehousing and Utilities	34,200	34,300	35,000	37,300	36,600
Information	31,300	30,700	30,100	29,000	27,800
Finance and Insurance	49,500	50,800	49,400	45,400	40,500
Real Estate and Rental and Leasing	18,100	18,700	18,200	17,000	16,300
Professional and Business Services	147,700	150,600	154,900	158,000	161,400
Educational and Health Services	117,200	118,500	121,800	124,200	127,700
Leisure and Hospitality	80,600	83,000	85,600	88,000	89,100
Other Services	36,600	35,600	35,900	36,200	36,000
Federal Government	17,600	17,300	17,300	17,100	17,100
State Government	162,200	162,700	164,700	166,800	159,500
Local Government	115,100	116,500	118,900	122,300	120,100
Total, All Industries (2)	1,025,200	1,033,700	1,046,900	1,049,700	1,031,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The 25 largest employers in Contra Costa County for 2009 are shown below.

CONTRA COSTA COUNTY
Largest Employers
2009

	Company	Description	Employment	City
1	AT&T Corp	Telecommunications Resellers	8,500	San Ramon
2	Contra Costa County Inc	Other Individual & Family Services	7,574	Martinez
3	Summerville Management LLC	Nursing Care Facilities	4,000	San Ramon
4	John Muir Physician Network	General Medical & Surgical Hospitals	3,891	Walnut Creek
5	Pacpizza LLC	Limited-Service Restaurants	3,600	San Ramon
6	Mt Diablo Unified School Dist	Elementary & Secondary Schools	3,226	Concord
7	Kaiser Foundation Hospitals	General Medical & Surgical Hospitals	2,852	Walnut Creek
8	United States Postal Service	Postal Service	2,500	Alamo
9	Safeway Inc	Supermarkets & Other Grocery (Except Convenience) Stores	2,475	Alamo
10	Diablo Valley College Foundation	All Other Support Services	2,020	Pleasant Hill
11	AT&T Services Inc	Telecommunications Resellers	2,018	Pleasant Hill
12	Home Depot USA Inc	Home Centers	1,750	San Ramon
13	Cellco Partnership	Radio, Television & Other Electronics Stores	1,735	Concord
14	California Department of	Offices of Physicians (Except Mental Health Specialists)	1,676	Richmond
15	West Contra Costa Unified Sch	Elementary & Secondary Schools	1,667	Richmond
16	John Muir Health	General Medical & Surgical Hospitals	1,600	Walnut Creek
17	Bio-Rad Laboratories Inc	Analytical Laboratory Instrument Manufacturing	1,405	Hercules
18	Albertson's LLC	Supermarkets & Other Grocery (Except Convenience) Stores	1,405	San Ramon
19	Chevron Corp	Petroleum Refineries	1,342	San Ramon
20	Target Corp	Department Stores (Except Discount Department Stores)	1,325	San Ramon
21	Contra Costa Newspapers Inc	Newspaper Publishers	1,322	Walnut Creek
22	Wal-Mart Stores Inc	Discount Department Stores	1,290	Richmond
23	Macy's Department Stores Inc	Discount Department Stores	1,200	Concord
24	San Ramon Valley Unified	Elementary & Secondary Schools	1,171	Danville
25	Longs Drug Stores California	Pharmacies & Drug Stores	1,164	Antioch

Source: East Bay Economic Development Alliance, as published 2009 in the Harris InfoSource of Lists.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

September 17, 2009

Board of Education
John Swett Unified School District
Rodeo, California

OPINION: $6,001,174.85 John Swett Unified School District (Contra Costa County, California) 2009 General Obligation Bonds (Election of 2008, Series A)
Our File 3840.1.0208

Members of the Board of Education:

We have acted as Bond counsel in connection with the issuance and sale for and on behalf of the District by the Board of Supervisors of Contra Costa County ("County") of $6,001,174.85 principal amount of John Swett Unified School District 2009 General Obligation Bonds, 2008 Election, Series A ("Bonds"), as authorized by a resolution of the Board of Education of the District adopted on August 12, 2009 (the "Resolution"), and in accordance with the terms of a Resolution of the Board of Supervisors of the County (Resolution No. 2009/324), adopted on August 25, 2009 ("Bond Resolution"), and in accordance with the statutory authority set forth in Education Code Section 15266(b) and Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District and County, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

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

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

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

Based upon the foregoing, we are of the opinion, under existing law, as follows:

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

2. The Resolution has been duly approved by the District and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its respective terms.

3. The County has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except as to certain classes of personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, although it should be noted that with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code"), and, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest payable on the Bonds. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and that the Bonds be, or continue to be, qualified tax-exempt obligations. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal

income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other tax consequences arising with respect to the Bonds.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Very truly yours,

MILLER BROWN & DANNIS
A Professional Corporation

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$6,001,174.85
JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2009 General Obligation Bonds
2008 Election, Series A

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the John Swett Unified School District (the "District") in connection with the issuance of $6,001,174.85 aggregate principal amount of John Swett Unified School District 2009 General Obligation Bonds 2008 Election, Series A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Supervisors of Contra Costa County on August 25, 2009 (the "Bond Resolution"). The District covenants and agrees as follows:

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

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

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

"Annual Report Date" means the date that is nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30).

"Dissemination Agent" shall mean the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation, as they may be designated from time to time pursuant to the Rule.

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

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"Official Statement" means the final official statement executed by the District in connection with the issuance of the Bonds.

"Participating Underwriter" shall mean Stone & Youngberg LLC or any of the original underwriters of the Bonds required to comply with the Rule in connection with 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.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently would be April 1), commencing April 1, 2010, with the report for the 2008-09 Fiscal Year, provide to the Participating Underwriter and to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Bond Registrar and the Participating Underwriter. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Bond Registrar and the Participating Underwriter.

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District, with a copy to the Bond Registrar and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date 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 Annual Report Date, 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) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statement 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;

(ii) the District's adopted Budget for the preceding fiscal year;

(iii) Assessed value of taxable property in the jurisdiction of the District as shown on the recent equalized assessment role;

(iv) Property tax collection delinquencies for the District, for the most recently completed fiscal year, if the District is no longer a participant in the County of Contra Costa's Teeter Plan;

(v) Top ten property owners in the jurisdiction of the District for then current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value; and

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

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

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

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

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, with a copy to the Bond Registrar and the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Resolution.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

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

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

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: September 17, 2009

JOHN SWETT UNIFIED SCHOOL DISTRICT

By: ______________________________
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	John Swett Unified School District
Name of Bond Issue:	$6,001,174.85 aggregate principal amount of John Swett Unified School District (County of Contra Costa, California) 2009 General Obligation Bonds, 2008 Election, Series A
Date of Issuance:	September 17, 2009

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the District's Bond Resolution authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by ________.

Dated: ____________

JOHN SWETT UNIFIED SCHOOL DISTRICT

By________________________________
Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH℠

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel

[THIS PAGE INTENTIONALLY LEFT BLANK]