NEW ISSUE -- FULL BOOK-ENTRY
BANK QUALIFIED

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

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Refunding 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."

$8,990,000
JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2010 General Obligation Refunding Bonds
(Bank Qualified)

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

Authority. The John Swett Unified School District (Contra Costa County, California) 2010 General Obligation Refunding Bonds (the "Refunding Bonds") are being issued by the John Swett Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on September 8, 2010 (the "Bond Resolution"). The Refunding Bonds are being issued to refund the General Obligation Bonds, Election of 2002, Series A, issued by Contra Costa County (the "County") on behalf of the District. See "PROPERTY TAXATION – Overlapping Debt Obligations."

Security. The Refunding Bonds are general obligations of the District. The Board of Supervisors of the 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 Refunding Bonds. There are currently other series of general obligation bonds in the District that are similarly secured by tax levies. All general obligation bonds are issued on a parity basis with one another. See "The REFUNDING BONDS-Security for the Refunding Bonds."

Redemption. The Refunding Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE REFUNDING BONDS – Optional Redemption" and "- Mandatory Sinking Fund Redemption."

Book-Entry Only. The Refunding 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 Refunding Bonds. See "APPENDIX F - Book-Entry Only System."

Payments. Interest on the Refunding Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, by check mailed to the person in whose name the Refunding Bond is registered. Payments of principal and interest on the Refunding Bonds will be paid by The Bank of New York Mellon Trust Company, San Francisco, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS – Description of the Refunding Bonds."

Bond Insurance. The scheduled payment of principal of and interest on the Refunding Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.).

ASSURED GUARANTY
MUNICIPAL

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 Refunding Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Refunding Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. It is anticipated that the Refunding Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about October 14, 2010, in New York, New York.

STONE & YOUNGBERG

The date of this Official Statement is: September 30, 2010

MATURITY SCHEDULE

JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2010 General Obligation Refunding Bonds
(Bank Qualified)

Base CUSIP[(†)]: 478048

Maturity	Principal Amount	Interest Rate	Yield	Price	CUSIP†
8/1/12	$ 220,000	3.000%	0.900%	103.734%	CC3
8/1/13	330,000	3.000	1.170	105.020	CD1
8/1/14	365,000	4.000	1.440	109.425	CE9
8/1/15	400,000	4.000	1.750	110.307	CF6
8/1/16	440,000	4.000	2.100	110.317	CG4
8/1/17	480,000	4.000	2.400	109.976	CH2
8/1/18	525,000	4.000	2.650	109.450	CJ8
8/1/19	570,000	4.000	2.920	108.322	CK5
8/1/20	620,000	4.000	3.120	107.375	CL3
8/1/21	675,000	5.000	3.370	113.500*	CM1
8/1/22	735,000	5.000	3.560	111.817*	CN9
8/1/23	800,000	5.000	3.640	111.117*	CP4
8/1/24	870,000	5.000	3.720	110.423*	CQ2
8/1/25	940,000	5.000	3.800	109.734*	CR0
8/1/26	1,020,000	5.000	3.880	109.050*	CS8

** = Priced to par call on August 1, 2020.*

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Refunding 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 Refunding 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.

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 Refunding Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

Insurer's Disclaimer. Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") makes no representation regarding the Refunding Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "APPENDIX H - Specimen Municipal Bond Insurance Policy".

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 Refunding 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.

The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such act. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
CONTRA COSTA COUNTY
STATE OF CALIFORNIA

BOARD OF EDUCATION

Brain Colombo, *President*
Norma Clerici, *Clerk*
William Concannon, *Member*
James Delgadillo, *Member*
Jerrold Parsons, *Member*

DISTRICT ADMINISTRATION

Michael McLaughlin, Ed.D., *Superintendent*
Paul Disario, Ed.D., *Acting Chief Financial Officer*

FINANCIAL ADVISOR

Dale Scott & Company Inc.
San Francisco, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

PAYING AGENT, TRANSFER AGENT, BOND REGISTRAR AND ESCROW BANK

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

VERIFICATION AGENT

Causey Demgen & Moore Inc.
Denver, Colorado

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$8,990,000
JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2010 General Obligation Refunding Bonds
(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 its 2010 General Obligation Refunding Bonds (the "**Refunding Bonds**").

This Official Statement makes reference to resolutions and to other documents and laws. Such references do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to each such document and provision.

All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolution (as defined below).

THE REFUNDING BONDS

The District

The District is located in the San Francisco Bay Area of Northern California, and 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. The District is currently operating one elementary school, one middle school, one high school, and one alternative education center. Enrollment in the District for grades K-12 in the 2009-10 school year was 1,681 students and is estimated to be 1,629 for 2010-11. See "APPENDIX B – General and Financial Information About the District."

Description of the Refunding Bonds

The Refunding 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 Refunding Bonds. See "Book-Entry Only System" below and "APPENDIX F – Book-Entry Only System."

Interest on the Refunding Bonds accrues from their Dated Date, and is payable semiannually on February 1 and August 1 of each year (each, an "**Interest Payment Date**") commencing February 1, 2011. Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to a Interest Payment Date and after the close of business on the 15th day of the month preceding such Interest Payment Date (each, a "**Record Date**"), in which event it shall bear interest from such Interest Payment Date, or (iii) it is registered and authenticated prior to January 15, 2011, in which event it will bear interest from the date of original delivery; *provided, however*, that if at the time of authentication of a Refunding Bond, interest is in default thereon, such Refunding Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Refunding Bonds, including the final interest payment upon maturity, is payable by check of the Paying Agent mailed on the Interest Payment Date by first-class mail to the Owner thereof at such Owner's address as it appears on the bond register maintained by the Paying Agent at the close of business on the preceding Record Date, or at such other address as the Owner may have filed with the Paying Agent for that purpose, or upon written request filed with the Paying Agent as of the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Refunding Bonds, by wire transfer.

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

Authority for Issuance

The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**") and under a resolution adopted by the Board of Education of the District on September 8, 2010 (the "**Bond Resolution**").

Financing Plan

The District received authorization at an election held on March 5, 2002 in accordance with Article XIIIA of the California Constitution to issue general obligation bonds in a principal amount not to exceed $10,000,000 (the **"2002 Bond Authorization"**).

Pursuant to the 2002 Bond Authorization, the County, on behalf of the District, issued $10,000,000 General Obligation Bonds, Election of 2002, Series A (the **"Prior Bonds"**), which are currently outstanding in the aggregate principal amount of $9,030,000.

The Refunding Bonds are being issued by the District to refund all outstanding maturities of the Prior Bonds (the **"Refunded Bonds"**) as identified in the following table.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Identification of Refunded Bonds

Series	Maturities to be Refunded	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
Series 2002A Bonds	8/01/11 through 08/01/26	$9,030,000	8/01/11	101.0%

The District will deliver a portion of the proceeds of the Refunding Bonds to The Bank of New York Mellon Trust Company N.A., as escrow agent (the "**Escrow Bank**"), for deposit in the escrow fund (the "**Escrow Fund**") established under the Escrow Agreement (the "**Escrow Agreement**"), entered into by and between the District and the Escrow Bank.

The Escrow Bank will invest all amounts deposited in the Escrow Fund in the Federal Securities set forth in the Escrow Agreement. From the maturing principal of the Federal Securities and the investment income and other earnings thereon, and any moneys held in cash in the Escrow Fund, the Escrow Agent will pay the redemption price of the Refunded Bonds.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Causey Demgen & Moore Inc., certified public accountants, Denver, Colorado (the **"Verification Agent"**). See "VERIFICATION OF MATHEMATICAL ACCURACY" below.

The amounts held and invested by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds. Neither the funds deposited in the Escrow Fund nor the interest on the invested funds will be available for the payment of debt service with respect to the Refunding Bonds.

Security for the Refunding Bonds

The Refunding 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 Refunding 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 Refunding Bonds are outstanding in an amount sufficient to pay the principal and interest on the Refunding Bonds when due. Such taxes, when collected, will be deposited into an interest and sinking fund for the Refunding Bonds (the "**Debt Service Fund**"), which is maintained by the County Treasurer and which is created by statute for the payment of principal of and interest on the Refunding Bonds when due. **Although the County is obligated to levy an *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.**

The District currently has other general obligation bonds outstanding which are similarly secured by the levy of *ad valorem* taxes in the District. See "APPENDIX B – GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations."

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on the Refunding Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent (as defined herein) which, in turn, shall pay such moneys to DTC to pay the principal and interest on the Refunding Bonds. DTC will thereupon make payments of principal and interest on the Refunding Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Refunding Bonds.

The rate of the annual *ad valorem* tax levied by the County to repay the Refunding 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 Refunding 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. There are currently other series of general obligation bonds that are similarly secured by tax levies. For further information regarding the District's tax base, tax rates, overlapping debt and other matters concerning taxation, see "PROPERTY TAXATION."

Paying Agent

The Bank of New York Mellon Trust Company, San Francisco, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the "**Paying Agent**"). As long as DTC is the registered owner of the Refunding Bonds and DTC's book-entry method is used for the Refunding Bonds, the Paying Agent 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 Refunding Bonds called for redemption or of any other action covered by such notice.

The Paying Agent and the District 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 Refunding Bonds.

Optional Redemption

The Refunding Bonds maturing on or before August 1, 2020 are not subject to redemption prior to their respective stated maturities. The Refunding Bonds maturing on or after August 1, 2021 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2020, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium. For the purpose of selection for optional redemption, Refunding Bonds will be deemed to consist of $5,000 portions, and any such portion may be separately redeemed.

Selection of Refunding Bonds for Redemption

Whenever provision is made for the redemption of Refunding Bonds and less than all Outstanding Refunding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District received at least 30 days prior to the specified redemption date (unless a shorter notice is consented to by the Paying Agent), shall select Refunding Bonds for redemption by lot within a maturity. Redemption by lot shall be in such a manner as the Paying Agent may determine; *provided, however*, that the portion of any Refunding Bond to be redeemed in part will be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Refunding Bonds, at the expense of the District. Notice of any redemption of Refunding Bonds shall specify: (a) the Refunding Bonds or designated portions thereof (in the case of redemption of the Refunding 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 Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Refunding Bonds to be redeemed, (f) the Refunding Bond numbers of the Refunding Bonds to be redeemed in whole or in part and, in the case of any Refunding Bond to be redeemed in part only, the principal amount of such Refunding Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Refunding Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Refunding Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest with respect thereto shall cease to accrete in value.

Neither failure to receive or failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Refunding Bonds.

Partial Redemption of Refunding Bonds

Upon the surrender of any Refunding Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Refunding Bond or Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Refunding 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 Refunding Bonds

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

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

Refunding Bonds may be exchanged for Refunding Bonds of like tenor, maturity and principal amount upon presentation and surrender at the principal corporate trust office of the Paying Agent in Contra Costa, California. Any Refunding 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 Refunding Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver 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 Refunding Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

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

Book-Entry-Only System

The Refunding Bonds will be issued in fully registered form only and, when initially issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Refunding Bonds. Purchasers of the Refunding Bonds will not receive physical certificates representing their beneficial ownership interests in the Refunding Bonds purchased. Payments of principal and interest on the Refunding Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Refunding Bonds. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM” herein.

DEBT SERVICE SCHEDULES

Refunding Bonds Debt Service. The following table shows the debt service schedule with respect to the Refunding Bonds (assuming no optional redemptions).

JOHN SWETT UNIFIED SCHOOL DISTRICT
Debt Service Schedule
Refunding Bonds

Period Ending (August 1)	Refunding Bonds Principal	Refunding Bonds Interest	Refunding Bonds Debt Service
2011	-	$ 322,476.39	$ 322,476.39
2012	$ 220,000	404,500.00	624,500.00
2013	330,000	397,900.00	727,900.00
2014	365,000	388,000.00	753,000.00
2015	400,000	373,400.00	773,400.00
2016	440,000	357,400.00	797,400.00
2017	480,000	339,800.00	819,800.00
2018	525,000	320,600.00	845,600.00
2019	570,000	299,600.00	869,600.00
2020	620,000	276,800.00	896,800.00
2021	675,000	252,000.00	927,000.00
2022	735,000	218,250.00	953,250.00
2023	800,000	181,500.00	981,500.00
2024	870,000	141,500.00	1,011,500.00
2025	940,000	98,000.00	1,038,000.00
2026	1,020,000	51,000.00	1,071,000.00
Total	$8,990,000	$4,422,726.39	$13,412,726.39

In addition to the Prior Bonds being refunded with Refunding Bond proceeds, on September 17, 2009, the District issued its 2009 General Obligation Bonds, 2008 Election, Series A in the principal amount of $6,001,174.85 (the **"Series A Bonds"**). The Series A Bonds mature on each August 1 from 2010 through 2034, and were issued as current interest bonds and as capital appreciation bonds. See "Combined Debt Service Schedule" herein. The following table shows the combined annual debt service for the outstanding Series A Bonds and the Refunding Bonds.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Combined Debt Service Schedule
General Obligation Bonds

Period Ending (August 1)	Election of 2008 Series A Bonds Debt Service	Refunding Bonds Debt Service	Aggregate Annual Debt Service
2011	$314,587.50	$ 322,476.39	$ 637,063.89
2012	312,387.50	624,500.00	936,887.50
2013	320,187.50	727,900.00	1,048,087.50
2014	322,187.50	753,000.00	1,075,187.50
2015	333,750.00	773,400.00	1,107,150.00
2016	349,550.00	797,400.00	1,146,950.00
2017	359,750.00	819,800.00	1,179,550.00
2018	372,750.00	845,600.00	1,218,350.00
2019	384,950.00	869,600.00	1,254,550.00
2020	401,350.00	896,800.00	1,298,150.00
2021	411,750.00	927,000.00	1,338,750.00
2022	426,350.00	953,250.00	1,379,600.00
2023	444,593.76	981,500.00	1,426,093.76
2024	456,206.26	1,011,500.00	1,467,706.26
2025	476,331.26	1,038,000.00	1,514,331.26
2026	489,925.00	1,071,000.00	1,560,925.00
2027	506,700.00	-	506,700.00
2028	526,900.00	-	526,900.00
2029	544,700.00	-	544,700.00
2030	565,000.00	-	565,000.00
2031	580,000.00	-	580,000.00
3032	605,000.00	-	605,000.00
3033	625,000.00	-	625,000.00
3034	645,000.00	-	645,000.00
TOTAL	$10,774,906.28	$13,412,726.39	$24,187,632.67

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Refunding Bonds are as follows:

Sources of Funds:

Principal Amount of Refunding Bonds	$8,990,000.00
Original Issue Premium	877,868.20
Total Sources:	$9,867,868.20

Uses of Funds:

Escrow Fund	$9,552,499.37
Costs of Issuance (1)	315,368.83
Total Uses:	$9,867,868.20

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("**AGM**") will issue its Municipal Bond Insurance Policy for the Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the 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.

Assured Guaranty Municipal Corp. (Formerly Known as Financial Security Assurance Inc.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (**"Holdings"**). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("**AGL**"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (**"S&P"**) and "Aa3" (negative outlook) by Moody's Investors Service, Inc. (**"Moody's"**). On February 24, 2010, Fitch, Inc. (**"Fitch"**), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. 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 AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On May 17, 2010, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGM. At the same time, S&P continued its negative outlook on AGM. 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.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. 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.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. 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.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010.

Capitalization of AGM. At June 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,264,680,337 and its total net unearned premium reserve was approximately $2,259,557,420, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov<http://www.sec.gov/>, at AGL's website at http://www.assuredguaranty.com <http://www.assuredguaranty.com/> , or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

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

PROPERTY TAXATION

Ad Valorem Property Taxation

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10 percent penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5 percent per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10 percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5 percent attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing 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 lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

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 percent 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 percent 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. No reimbursement is made by the State for such exemptions.

Property within the District had a net taxable assessed valuation for fiscal year 2010-11 of $2,512,604,220. Shown in the following table are the assessed valuations for the District for the past six fiscal years.

Table No. 1
JOHN SWETT UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2005-06 through Fiscal Year 2010-11

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2005-06	$1,989,647,189	$2,239,280	$249,399,874	$2,241,286,343	--
2006-07	2,091,723,981	2,060,084	240,124,543	2,333,908,608	4.1
2007-08	2,310,230,409	867,483	214,765,263	2,525,863,155	8.2
2008-09	2,282,964,772	864,335	223,302,734	2,507,131,841	(0.7)
2009-10	2,168,285,877	864,335	336,696,204	2,505,846,416	(0.1)
2010-11	2,143,188,191	1,147,692	368,268,337	2,512,604,220	0.3

Source: California Municipal Statistics, Inc.

The assessed valuation of parcels in the District is relatively evenly divided between non-residential and residential uses, with 60.30% of assessed valuation attributable to non-residential uses, and 39.70% attributable to residential use. However, of all of the parcels within the District, 89.06% are used for residential purposes, with 72.07% for single-family residential. The following table summarizes secured assessed valuation of parcels by land use in the District for the 2010-11 fiscal year.

Table No. 2
JOHN SWETT UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2010-11

	2010-11 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$ 38,341,659	1.79%	61	1.21%
Commercial	47,544,905	2.22	127	2.51
Vacant Commercial	14,977,158	0.70	29	0.57
Industrial	1,160,810,206	54.16	28	0.55
Vacant Industrial	20,964,763	0.98	32	0.63
Recreational	8,041,885	0.38	3	0.06
Government/Social/Institutional	469,927	0.02	178	3.52
Miscellaneous	1,193,797	0.06	95	1.88
Subtotal Non-Residential	$1,292,344,300	60.30%	553	10.94%
Residential:				
Single Family Residence	$712,500,799	33.24%	3,644	72.07%
Condominium/Townhouse	49,016,284	2.29	328	6.49
Rural Residential	4,135,677	0.19	16	0.32
Mobile Home	58,700	0.00	6	0.12
2-4 Residential Units	52,454,575	2.45	285	5.64
5+ Residential Units/Apartments	24,681,682	1.15	37	0.73
Vacant Residential	7,996,174	0.37	187	3.70
Subtotal Residential	$850,843,891	39.70%	4,503	89.06%
Total	$2,143,188,191	100.00%	5,056	100.00%

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

The following table sets forth the per parcel assessed valuation of single-family homes.

Table No. 3
JOHN SWETT UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2010-11

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,644	$712,500,799	$195,527	$200,166

2010-11 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	46	1.262%	1.262%	$ 849,077	0.119%	0.119%
$25,000 - $49,999	210	5.763	7.025	8,025,032	1.126	1.245
$50,000 - $74,999	241	6.614	13.639	14,659,576	2.057	3.303
$75,000 - $99,999	215	5.900	19.539	18,709,482	2.626	5.929
$100,000 - $124,999	279	7.658	27.195	31,513,383	4.423	10.352
$125,000 - $149,999	296	8.123	35.318	40,442,282	5.676	16.028
$150,000 - $174,999	236	6.476	41.795	38,366,923	5.385	21.413
$175,000 - $199,999	292	8.013	49.808	54,958,441	7.713	29.126
$200,000 - $224,999	347	9.523	59.330	73,609,101	10.331	39.457
$225,000 - $249,999	335	9.193	68.524	79,462,188	11.153	50.610
$250,000 - $274,999	358	9.824	78.348	93,860,124	13.173	63.783
$275,000 - $299,999	335	9.193	87.541	95,210,199	13.363	77.146
$300,000 - $324,999	150	4.116	91.658	46,483,554	6.524	83.670
$325,000 - $349,999	113	3.101	94.759	38,334,705	5.380	89.050
$350,000 - $374,999	56	1.537	96.295	20,210,710	2.837	91.887
$375,000 - $399,999	52	1.427	97.722	19,997,500	2.807	94.694
$400,000 - $424,999	44	1.207	98.930	18,232,901	2.559	97.253
$425,000 - $449,999	14	0.384	99.314	6,131,322	0.861	98.113
$450,000 - $474,999	9	0.247	99.561	4,169,959	0.585	98.698
$475,000 - $499,999	3	0.082	99.643	1,463,153	0.205	98.904
$500,000 and greater	13	0.357	100.000	7,811,187	1.096	100.000
Total	3,644	100.000%		$712,500,799	100.000%	

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

Typical tax rates for fiscal years 2005-06 through 2009-10 for a tax rate area within the District (Tax Rate Area 64-045) are set forth on the following table. Tax rates for 2010-11 are not yet available.

Table No. 4
JOHN SWETT UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates - TRA 64-045

	2005-06	2006-07	2007-08	2008-09	2009-10
General	1.0000	1.0000	1.0000	1.0000	1.0000
Bay Area Rapid Transit District	.0048	.0050	.0076	.0090	.0057
East Bay Regional Park District	.0057	.0085	.0080	.0100	.0108
John Swett Unified School District	.0246	.0244	.0229	.0247	.0666
Contra Costa Community College District	.0047	.0043	.0108	.0066	.0126
Total	1.0398	1.0422	1.0493	1.0503	1.0957

Source: California Municipal Statistics, Inc.

Appeals of Assessed Value

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” in Appendix B.

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” in Appendix B.

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.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Property Tax Collections

The Board of Supervisors of the County has 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. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

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 can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Historical secured tax levy collections and delinquencies in the District are summarized in the following table.

Table No. 5
JOHN SWETT UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2005-06	$ 486,029	$14,077	2.90%
2006-07	500,861	18,316	3.66
2007-08	524,630	20,894	3.98
2008-09	560,105	16,406	2.93
2009-10	1,428,576	26,637	1.86

(1) Bond debt service levy only.
Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2010-11, which represent 59.15% of the secured tax base.

The largest property owner, Tosco Corporation, is an independent U.S. based petroleum refining and marketing corporation. The company operates nine refineries that process approximately 1,350,000 barrels per day of crude oil, feedstocks, and blendstocks into various petroleum products, mainly light transportation fuel and heating oil. Tosco has a refining facility in Contra Costa County.

Table No. 6
JOHN SWETT UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2010-11

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total (1)
1.	Tosco Corporation	Heavy Industrial	$1,007,743,198	47.02%
2.	Sugar Acquisition Corp.	Heavy Industrial	112,852,034	5.27
3.	CS Land Inc.	Vacant	42,379,949	1.98
4.	Shore Terminals LLC	Heavy Industrial	37,336,707	1.74
5.	Conocophillips Company	Heavy Industrial	14,206,352	0.66
6.	Rodeo Parker SC LLC	Shopping Center	8,115,000	0.38
7.	Three Trees Holdings I LLC	Golf Course	7,200,000	0.34
8.	Orinda Investors LP	Apartments	6,670,329	0.31
9.	John F. Bessolo	Apartments	4,589,817	0.21
10.	Pacific Custom Materials Inc.	Heavy Industrial	4,030,996	0.19
11.	Asbury Graphite Inc. of CA	Heavy Industrial	3,322,650	0.16
12.	Oak Hill Park Company	Vacant	2,680,647	0.13
13.	Thomas & Consuelo Gozzano	Commercial	2,602,101	0.12
14.	Convenience Retailers LLC	Commercial	2,535,061	0.12
15.	Besphil & Co. Ltd.	Vacant	2,434,414	0.11
16.	Real Estate Equity LLC	Apartments	2,231,555	0.10
17.	Ravinder S. Randhawa	Residential Properties	1,834,128	0.09
18.	Jad San Pablo LLC	Commercial	1,757,926	0.08
19.	Willow Avenue Plaza Inc.	Commercial	1,577,779	0.07
20.	DR Properties LLC	Industrial	1,547,911	0.07
			$1,267,648,554	59.15%

(1) 2010-11 local secured assessed valuation: $2,143,188,191
Source: California Municipal Statistics, Inc.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated September 1, 2010. 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.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Table No. 7
JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of October 1, 2010

2010-11 Assessed Valuation:	$2,512,604,220	
Redevelopment Incremental Valuation:	(171,130,119)	(preliminary)
Adjusted Assessed Valuation:	$2,341,474,101	

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/10
Bay Area Rapid Transit District	0.538%	$ 2,226,594
Contra Costa Community College District	1.876	4,447,902
John Swett Unified School District	100.000	14,306,175(1)
West Contra Costa Healthcare District Parcel Tax Obligations	9.619	2,156,580
East Bay Regional Park District	0.833	1,416,933
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$24,554,184
OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	1.868%	$ 5,036,595
Contra Costa County Pension Obligations	1.868	8,131,591
Contra Costa Community College District Certificates of Participation	1.876	18,572
City of Hercules Certificates of Participation	9.039	1,624,308
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$14,811,066
Less: Contra Costa County supported obligations		2,354,844
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$12,456,222
GROSS COMBINED TOTAL DEBT		$39,365,250(2)
NET COMBINED TOTAL DEBT		$37,010,406

(1)Excludes the Refunding 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 2010-11 Assessed Valuation:
Direct Debt ($14,306,175) 0.57%
Total Direct and Overlapping Tax and Assessment Debt 0.98%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt 1.68%
Net Combined Total Debt 1.58%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

CONTINUING DISCLOSURE

The District has covenanted, for the benefit of holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data (an **"Annual Report"**) relating to the District to the Municipal Securities Rulemaking Board (the **"MSRB"**) not later than nine months after the end of the District's fiscal year (which currently would be April 1), commencing April 1, 2011 with the report for the 2009-10 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the District with the MSRB. The specific nature of the information to be contained in an Annual Report or the notices of material events is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. The County is not obligated to undertake any continuing disclosure in connection with the Refunding Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded Series A Bonds and (b) the "yields" on the amount of proceeds held and invested prior to redemption of the Refunded Series A Bonds and on the Refunding Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Refunding Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

CERTAIN LEGAL MATTERS

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Refunding Bonds, and a certificate to that effect, executed by an authorized officer of the District, will be furnished to purchasers at the time of the original delivery of the Refunding 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 Refunding Bonds.

Legal Opinion

The proceedings in connection with the issuance of the Refunding Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel for the District (**"Bond Counsel"**). The opinion of Bond Counsel with respect to the Refunding Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the District by Jones Hall as Disclosure Counsel (**"Disclosure Counsel"**). The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Refunding Bonds.

TAX MATTERS

In the opinion of Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings, and the Refunding Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (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 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 Refunding 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 Refunding Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Refunding 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 Refunding 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 Refunding 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 Refunding Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Refunding Bonds who purchase the Refunding Bonds after the initial offering of a substantial amount of such maturity. Owners of such Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Refunding 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 Refunding 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 Refunding Bond (said term being the shorter of the Refunding 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 Refunding Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Refunding Bond is amortized each year over the term to maturity of the Refunding Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Refunding 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 Refunding Bonds.

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

The opinion of Bond Counsel with respect to the Refunding Bonds will be delivered in substantially the form attached hereto as Appendix D.

Owners of the Refunding Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Refunding 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 Refunding Bonds other than as expressly described above.

RATINGS

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**") is expected to assign its municipal bond rating of “AAA” (negative outlook) to the Refunding Bonds, with the understanding that upon the issuance of the Refunding Bonds, AGM will issue its Policy for the Refunding Bonds. For more information on AGM’s ratings, see “BOND INSURANCE” herein. S&P has assigned its underlying municipal bond rating of “A+” to the Refunding Bonds. Such ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained only from S&P. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds. For more information regarding the rating of AGM, including information regarding its rating outlook, see "BOND INSURANCE."

UNDERWRITING

The Refunding Bonds are being purchased by Stone & Youngberg LLC (the "**Underwriter**"). The Underwriter has agreed to purchase the Refunding Bonds at a price of $9,786,958.20 (which is equal to the initial principal amount of the Refunding Bonds plus original issue premium of $877,868.20, less Underwriter's discount of $80,910.00). The purchase contract relating to the Refunding Bonds provides that the Underwriter will purchase all of the Refunding 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 Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the 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 Underwriter and following delivery of the Refunding Bonds will be on file at the offices of the Paying Agent 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. The District may impose charges for copying, mailing and handling.

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 Refunding Bonds.

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

JOHN SWETT UNIFIED SCHOOL DISTRICT

By: /s/ *Michael McLaughlin*
Superintendent

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDING JUNE 30, 2009

JOHN SWETT
UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2009

Revised Copy December 11, 2009

JOHN SWETT UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2009
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FINANCIAL SECTION

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SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

FINDINGS AND QUESTIONED COSTS SECTION

NIGRO NIGRO &WHITE PC

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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, 2009, 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, 2009, 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 1, 2009 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 14 and budgetary comparison information on pages 48 and 49 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Nigro Nigro & White, PC

San Diego, California
December 1, 2009

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, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets increased 2% over the course of the year, primarily due to an increase in construction in progress of $4.0 million.
- Overall government-wide revenues were $18.1 million. Revenues were $0.5 million more than expenses.
- The total cost of basic programs was approximately $17.6 million.
- The District decreased its outstanding long-term debt by 2% over the prior year.
- Average daily attendance (ADA) in grades K-12 decreased by 22 over the prior year.

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

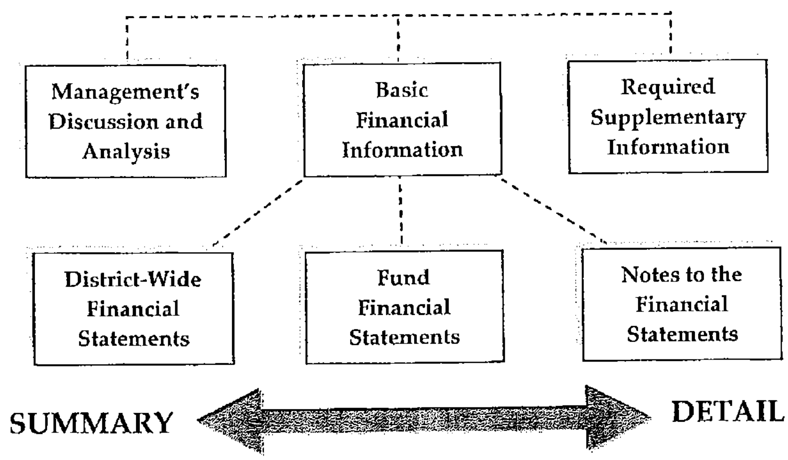

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 higher on June 30, 2009, than they were the year before – increasing 2% to $25.7 million. (See Table A-1).

Table A-1
John Swett Unified School District's Net Assets

	(in millions) Governmental Activities		Total Percentage Change
	2008	2009	2008-09
Current and other assets	$ 20.6	$ 17.2	-17%
Capital assets	20.9	24.3	16%
Total assets	41.5	41.5	0%
Other liabilities	6.4	6.1	-5%
Long-term liabilities	9.9	9.7	-2%
Total liabilities	16.3	15.8	-3%
Total net assets	$ 25.2	$ 25.7	2%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net assets, governmental activities. The District's total revenues were $18.1 million (See Table A-2). This is an increase of about $1.7 million, which is mainly due to State Emergency Repair program funds for John Swett High School and the receipt of America Recovery and Reinvestment Act (ARRA) Federal stimulus awards in 2008-09.

The total cost of all programs and services was $17.6 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 less than 1%.

Table A-2
Changes in John Swett Unified School District's Net Assets

	(in millions) Governmental Activities		Total Percentage Change
	2008	**2009**	**2008-09**
Revenues:			
Program revenues			
Charges for services	$ 0.3	$ 0.4	4%
Operating grants and contributions	3.8	5.7	52%
Capital grants and contributions	-	0.2	100%
General revenues			
Property taxes	6.8	6.8	1%
Other revenues	5.4	5.0	-9%
Total revenues	16.4	18.1	11%
Expenses:			
Instruction-related	11.8	11.8	0%
Student support services	2.0	2.0	1%
Maintenance & operations	1.9	1.9	1%
Administration	1.2	1.3	1%
Other expenses	0.6	0.6	-1%
Total expenses	17.5	17.6	0%
Increase in net assets	$ (1.2)	$ 0.5	147%

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 $11.0 million, which is less than last year's ending fund balance of $14.3 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 $0.2 million primarily to reflect federal and state budget actions and receipt of ARRA Federal stimulus awards.
- Salaries and benefits costs – increased $0.2 million 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 be less than expenditures by $1.8 million, the actual results for the year show that revenues fell short of expenditures by $1.2 million. Actual revenues were $0.4 million less than anticipated, while expenditures were $0.2 million less than budgeted.

Governmental Activities

Table A-3 presents the cost of the five major District activities: instruction and instruction related; student support services; general administration; maintenance and operations; and other purposes. The table also shows each activities *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The cost of all *governmental* activities this year was $17.6 million.
- Some of the cost was paid by the users of the District's programs ($0.4 million)
- The federal and state governments subsidized programs with grants and contributions ($5.9 million)
- The net cost of services paid for through a combination of the revenue limit, property taxes, unrestricted federal, state, and local revenues was $11.3 million.

Table A-3
Net Costs of John Swett Unified School District's Governmental Activities (In millions)

	Total Cost of Services	Net Cost of Services
Instructional services	$ 11.8	$ 8.7
Pupil support services	2.0	0.9
Maintenance & operations	1.9	(0.1)
Administration	1.3	1.1
Other expenses	0.6	0.6
Total expenses	$ 17.6	$ 11.3

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008-09 the District had invested over $37.6 million in capital assets. (More detailed information about capital assets can be found in Note 5 to the financial statements.)

Table A-4
John Swett Unified School District's Capital Assets

	(In millions) Governmental Activities				Total Percentage Change
	2008		2009		2008-09
Land	$	1.6	$	1.6	0%
Site Improvements		3.7		3.8	0%
Buildings		27.3		27.4	0%
Equipment and furniture		0.4		0.5	17%
Construction in progress		0.3		4.3	1533%
Total	$	33.4	$	37.6	13%

Long-Term Debt

At year-end the District had $9.7 million in general obligation bonds, capital leases, and compensated absences – a decrease of 2% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Table A-5
John Swett Unified School District's Long-Term Debt

	(In millions) Governmental Activities				Total Percentage Change
	2008		2009		2008-09
General obligation bonds	$	9.6	$	9.5	-1%
Bond premium		0.0		0.0	0%
Compensated absences		0.0		0.0	0%
Capital leases		0.3		0.2	-31%
Total	$	9.9	$	9.7	-2%

FACTORS BEARING ON THE DISTRICT'S FUTURE

Unlike most years, California began the 2009-10 fiscal year with a budget already in place. On February 20, 2009, Governor Schwarzenegger signed a spending plan aimed at addressing the State's worsening budget crisis. However, after the signing of the budget, the fiscal outlook began to worsen. The Governor and Legislature began working to close the budget gap.

On July 28, Governor Schwarzenegger signed a package of bills aimed at closing the state's $23.241 billion budget shortfall. The package of bills includes a total of $24.159 billion in "solutions" - $16.125 billion in spending cuts; $3.492 billion in revenues and revenue accelerations; $2.182 billion in borrowing, including $1.935 billion from local government property tax revenues; $1.005 billion in fund shifts; and $1.355 billion in other "solutions", including one-time savings from deferring the payment of state employees' final paycheck for the 2009-10 fiscal year until July 1, 2010.

K-12 Education Budget Agreement:

- Reduces 2008-09 funding for categorical programs by $1.6 billion compared to the funding level provided by the February budget agreement.
- Reduces 2009-10 revenue limit payments by $4.0 billion compared to the 2009-10 Budget enacted in February and adjusts the revenue limit deficit factor to 18.4 percent for school districts and 18.6 percent for county offices of education.
- Defers $1.7 billion of school districts' revenue limit payments from 2009-10 to 2010-11.
- Counts $402 million in 2009-10 funding for the Quality Education Investment Act (QEIA) toward the Proposition 98 minimum funding guarantee to produce an equal amount of General Fund savings. Historically, QEIA dollars provided funds to school districts with the lowest academic achievement and did not count toward the Proposition 98 guarantee. The budget agreement extends the QEIA program by one year, to 2014-15.
- Provides $496 million in 2009-10 Proposition 98 funding for home-to-school transportation – a reduction of approximately 20 percent from the $618.7 million provided for the program in 2008-09.
- Reduces 2009-10 funding by $80 million for Basic Aid school districts' categorical programs to provide a proportionate reduction to non-Basic Aid districts' revenue limit reductions.
- Allows school districts to reduce the school year by up to five instructional days through 2012-13 without losing incentive grants.
- Suspends the requirement that school districts purchase newly adopted instructional materials through 2012-13.
- Allows school districts to sell surplus property and use the proceeds for General Fund proposes through 2011.
- Suspends the High School Exit Exam graduation requirement for students with disabilities beginning in 2009-10. The suspension would last until the State Board of Education authorizes an alternative exam for disabled students.

The Governor's line item vetoes include a $3.9 million cut to student transportation at State Special Schools, which the Governor states is duplicative because federal special education funds are available for this purpose.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Federal Funding (ARRA)

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA aims to boost the economy through a $787 billion package of spending and tax measures. Nationally, more than $100 billion is dedicated to education. California's schools, colleges, and universities can expect to receive approximately $11.0 billion over three years that can be used to mitigate the impact of state budget reductions and address specified policy goals.

The largest share of the ARRA's education dollars comes from an allocation called the State Fiscal Stabilization Fund, which aims to help states balance their budgets and mitigate the impact of cuts. Other ARRA funds targeting education include support for special education, schools that serve disproportionate numbers of students from disadvantaged backgrounds, school technology, statewide data systems, and teacher improvement programs.

The new State Fiscal Stabilization Fund (SFSF), aimed at helping to stabilize state budgets and mitigate the impact of budget cuts, is the largest pot of ARRA funding focused on education.

The California Department of Education (CDE) recently reported that California's schools received preliminary payments totaling $2.5 billion from the state's initial Education Stabilization Fund (ESF) allocation. These payments were based on the reductions made to each school district's 2008-09 general-purpose and categorical funds as part of the February budget agreement. K-12 school districts received $1.6 billion to backfill reductions made to their 2008-09 general-purpose funds and $887.5 million to backfill reductions made to their 2008-09 categorical funding.

While California cannot use ESF dollars to replace state spending required by the Proposition 98 guarantee, ESF dollars *can* be used to mitigate the impact of the significant state spending reductions enacted as part of current efforts to balance the budget. Local schools can use ESF dollars to help pay for any activity authorized under the Elementary and Secondary Education Act, the Individuals With Disabilities Education Act (IDEA), the Adult Education and Family Literacy Act, and/or the Carl D. Perkins Career and Technical Education Act.

The ARRA significantly increases funding for the primary federal program aimed at improving the education of disadvantaged students, including students from low-income families and English language learners. The federal Title I program aims to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education. California is slated to receive $1.5 billion in additional Title I dollars under the ARRA, a significant boost in federal support.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Federal Funding (ARRA) (continued)

The ARRA also significantly increases federal support for the IDEA, also referred to as special education, with the goal of helping to ensure that students with disabilities receive an appropriate education. The CDE estimates that California's schools will receive $1.3 billion in additional special education support from the ARRA - $1.2 billion for K-12 education and $41 million for pre-school programs. California received half of its ARRA IDEA dollars in April and will receive the second half by the end of September upon approval of a report the state must submit to the Department of Education (DOE).

The ARRA provides a significant level of funding to support California's schools, which will help mitigate the impact of state spending cuts. While the ARRA limits the extent to which ARRA's education dollars can be used to help close the state's budget shortfall, the Legislature may choose to use some ARRA dollars for this purpose. To receive additional ARRA dollars, however, California must submit reports to the DOE that include information regarding how the state and local schools use their ARRA allocations. These reports are designed to promote transparency and accountability at the local, state, and federal levels and will be reviewed by the DOE to determine whether California receives additional ARRA dollars.

Other Factors

Enrollment

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.

All of these factors were considered in preparing the John Swett Unified School District budget for the 2009-10 fiscal year.

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, 2009

	Total Governmental Activities
ASSETS	
Current assets:	
Cash	$ 14,203,315
Investments	519,467
Accounts receivable	2,116,745
Prepaid expenses	69,127
Net OPEB asset	306,034
Total current assets	17,214,688
Capital Assets:	
Land	1,619,089
Improvement of sites	3,758,326
Buildings	27,435,610
Furniture and equipment	508,158
Construction in progress	4,265,670
Less accumulated depreciation	(13,348,378)
Total capital assets, net of depreciation	24,238,475
Total assets	41,453,163
LIABILITIES	
Current liabilities:	
Accounts payable	1,920,620
Deferred revenue	4,141,166
Total current liabilities	6,061,786
Long-term liabilities:	
Portion due or payable within one year	222,079
Portion due or payable after one year	9,456,621
Total long-term liabilities	9,678,700
Total liabilities	15,740,486
NET ASSETS	
Invested in capital assets, net of related debt	14,591,577
Restricted for:	
Capital projects	6,263,616
Debt service	429,950
Educational programs	1,398,212
Unrestricted	3,029,322
Total net assets	$ 25,712,677

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2009

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	$ 10,206,529	$ 106,601	$ 2,484,411	$ 202,843	$ (7,412,674)
Instruction-Related Services:					
Supervision of instruction	292,244	-	241,667	-	(50,577)
Instructional library, media and technology	113,774	-	37,147	-	(76,627)
School site administration	1,183,640	913	4,484	-	(1,178,243)
Pupil Support Services:					
Home-to-school transportation	749,258	45,016	262,184	-	(442,058)
Food services	573,536	187,827	353,721	-	(31,988)
All other pupil services	660,577	644	193,830	-	(466,103)
General Administration Services:					
Data processing services	134,471	890	17,347	-	(116,234)
Other general administration	1,127,045	18,842	154,662	-	(953,541)
Plant services	1,891,647	2,789	1,979,538	-	90,680
Ancillary services	83,635	-	-	-	(83,635)
Community services	51,779	-	-	-	(51,779)
Interest on long-term debt	479,611	-	-	-	(479,611)
Other outgo	4,047	-	-	-	(4,047)
Total Governmental Activities	$ 17,551,793	$ 363,522	$ 5,728,991	$ 202,843	(11,256,437)

General Revenues:	
Taxes:	
Property taxes, levied for general purposes	6,072,076
Property taxes, levied for debt service	661,995
Property taxes, levied for other specific purposes	103,070
Federal and state aid not restricted to specific purpose	4,588,817
Interest and investment earnings	191,525
Interagency revenues	29,400
Miscellaneous	153,595
Total general revenues	11,800,478
Change in net assets	544,041
Net assets - July 1, 2008	25,168,636
Net assets - June 30, 2009	$ 25,712,677

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2009

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 1,476,707	$ 11,200,394	$ 1,526,214	$ 14,203,315
Investments	503,510	-	15,957	519,467
Accounts receivable	2,098,852	-	17,893	2,116,745
Total Assets	$ 4,079,069	$ 11,200,394	$ 1,560,064	$ 16,839,527
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 499,944	$ 1,220,482	$ 11,290	$ 1,731,716
Deferred revenue	62,497	4,078,669	-	4,141,166
Total Liabilities	562,441	5,299,151	11,290	5,872,882
Fund Balances				
Reserved for:				
Revolving cash	4,000	-	-	4,000
Categorical programs	1,398,212	-	-	1,398,212
Unreserved; reported in:				
General fund	2,114,416	-	-	2,114,416
Special revenue funds	-	-	756,451	756,451
Capital project funds	-	5,901,243	362,373	6,263,616
Debt service	-	-	429,950	429,950
Total Fund Balances	3,516,628	5,901,243	1,548,774	10,966,645
Total Liabilities and Fund Balances	$ 4,079,069	$ 11,200,394	$ 1,560,064	$ 16,839,527

The notes to 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, 2009

Total fund balances - governmental funds			$	10,966,645
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 $37,586,853 and the accumulated depreciation is ($13,348,378).				24,238,475
In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was:				306,034
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:				(188,904)
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:				69,127
In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:				
General obligation bonds payable	$	9,425,000		
Compensated absences payable		31,801		
Bond premium		13,572		
Capital leases payable		208,327		(9,678,700)
Total net assets - governmental activities			$	25,712,677

The notes to 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 Fiscal Year Ended June 30, 2009

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
General Revenues:				
Property taxes	$ 6,072,076	$ 103,070	$ 661,995	$ 6,837,141
Federal and state aid not restricted to specific purpose	4,588,817	-	-	4,588,817
Earnings on investments	44,593	141,736	5,197	191,526
Interagency revenues	29,400	-	-	29,400
Miscellaneous	142,461	-	11,133	153,594
Program Revenues:				
Charges for services	165,691	-	197,832	363,523
Operating grants and contributions	3,422,640	1,926,428	379,924	5,728,992
Capital grants and contributions	-	-	202,843	202,843
Total Revenues	14,465,678	2,171,234	1,458,924	18,095,836
EXPENDITURES				
Instructional Services:				
Instruction	9,862,915	-	-	9,862,915
Instruction-Related Services:				
Supervision of instruction	298,355	-	-	298,355
Instructional library, media and technology	119,847	-	-	119,847
School site administration	1,123,458	-	-	1,123,458
Pupil Support Services:				
Home-to-school transportation	749,258	-	-	749,258
Food services	-	-	546,302	546,302
All other pupil services	676,917	-	-	676,917
General Administration Services:				
Data processing services	134,471	-	-	134,471
Other general administration	1,033,897	-	27,191	1,061,088
Plant services	1,525,631	124,702	72,786	1,723,119
Facility acquisition and construction	8,021	4,217,186	151,066	4,376,273
Ancillary services	83,635	-	-	83,635
Other outgo:				
Debt service - principal	36,481	-	160,000	196,481
Debt service - interest	12,575	-	470,371	482,946
Total Expenditures	15,665,461	4,341,888	1,427,716	21,435,065
Net Change in Fund Balances	(1,199,783)	(2,170,654)	31,208	(3,339,229)
Fund Balances, July 1, 2008	4,716,411	8,071,897	1,517,566	14,305,874
Fund Balances, June 30, 2009	$ 3,516,628	$ 5,901,243	$ 1,548,774	$ 10,966,645

The notes to 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 Fiscal Year Ended June 30, 2009

Total net change in fund balances - governmental funds			$ (3,339,229)
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 and depreciation expense for the period is:			
	Expenditures for capital outlay	$ 4,199,725	
	Depreciation expense	(834,166)	3,365,559
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:			196,481
In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. The increase in the net OPEB asset at the end of the period was:			306,034
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:			2,542
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*.)			15,907
In governmental funds, if debt is issued at a premium or a discount, the premium or discount is recognized as Other Financing Sources or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of the premium for the period is:			794
Change in net assets of governmental activities			$ 544,041

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2009

	Agency Funds		
	Student Body Funds	Payroll Clearing Fund	Total
ASSETS			
Cash in county treasury	$ -	$ 87,750	$ 87,750
Cash in banks	88,934	-	88,934
Total Assets	$ 88,934	$ 87,750	$ 264,434
LIABILITIES			
Payroll liabilities	$ -	$ 87,750	$ 87,750
Due to student groups	88,934	-	88,934
Total Liabilities	$ 88,934	$ 87,750	$ 264,434

The notes to 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 operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all fund, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

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. 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 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 two non-major special revenue funds:

  1. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service operations.
  2. 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 two non-major capital project funds:

  1. The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
  2. 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 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New GASB Pronouncements

During the 2008-09 fiscal year, the following GASB Pronouncements became effective for the District.

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 requires 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.

GASB Statement No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations* was issued in November, 2006. This statement addresses standards for obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not expected to have any financial impact on the District.

GASB Statement No. 52 – *Land and Other Real Estate Held as Investments by Endowments* was issued in November, 2007. The statement establishes consistent standards for the reporting of land and other real estate held as investments by endowments and similar entities, such as pension and other postemployment benefit plans, external investment pools, and deferred compensation plans. It requires land and other real estate held to be reported at fair value. This statement is not expected to have any financial impact on the District.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments
Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

	Governmental funds	Fiduciary Funds
Cash in county treasury	$ 14,199,315	$ 87,750
Cash on hand and in banks	-	88,934
Cash in revolving fund	4,000	-
Total Deposits	$ 14,203,315	$ 176,684
Investments	$ 519,467	$ -

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. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

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.

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its web site. The table below identifies some of the investment types permitted in the investment policy:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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 $521,025 and an amortized book value of $519,467. The interest rate for the investment is 1.51%.

NOTE 2 – CASH 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 $14,329,926 and an amortized book value of $14,287,065. The average weighted maturity for this pool is 117.78 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 AAAf/S1+ by Standard & Poor's.

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, 2009, 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, 2009 consist of the following:

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Totals
Federal	$ 572,648	$ -	$ 17,325	$ 589,973
State	1,315,413	-	501	1,315,914
Local	210,731	-	127	210,858
Total	$ 2,098,792	$ -	$ 17,953	$ 2,116,745

NOTE 4 – FUND BALANCES

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

	General Fund
Revolving Cash	$ 4,000
Restricted Programs	1,018,700
Total Reserved	1,022,700
Unreserved:	
Designated:	
Site Funds	18,747
Total Designated	18,747
Undesignated	2,475,181
Total	$ 3,516,628

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2009 is shown below:

	Beginning Balance July 1, 2008	Additions	Deletions	Ending Balance June 30, 2009
Land	$ 1,619,089	$ -	$ -	$ 1,619,089
Site improvements	3,746,507	11,819	-	3,758,326
Buildings and improvements	27,325,318	110,292	-	27,435,610
Furniture and equipment	434,957	73,201	-	508,158
Work in progress	261,257	4,004,413	-	4,265,670
Total at historical cost	$ 33,387,128	$ 4,199,725	$ -	$ 37,586,853
Less accumulated depreciation:				
Site improvements	2,573,029	138,684	-	2,711,713
Buildings	9,662,251	645,633	-	10,307,884
Furniture and equipment	278,932	49,849	-	328,781
Total accumulated depreciation	12,514,212	834,166	-	13,348,378
Governmental activities capital assets, net	$ 20,872,916	$ 3,365,559	$ -	$ 24,238,475

Depreciation expense was charged to governmental activities as follows:

Governemental Activities:

Instruction	$ 557,912
School site administration	82,551
Food services	33,356
Community services	51,779
All other general adminstration	99,647
Plant services	8,921
Total depreciation expense	$ 834,166

NOTE 6 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2009 is shown below:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due Within One Year
General obligation bonds	$ 9,585,000	$ -	$ 160,000	$ 9,425,000	$ 185,000
General obligation bond premium	14,366	-	794	13,572	794
Compensated absences	47,708	-	15,907	31,801	-
Capital leases	244,808	-	36,481	208,327	38,284
Totals	$ 9,891,882	$ -	$ 213,182	$ 9,678,700	$ 224,078

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
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
2013-2014	300,000	430,668	730,668
2014-2019	2,070,000	1,926,023	3,996,023
2019-2024	3,335,000	1,304,375	4,639,375
2024-2026	2,815,000	318,450	3,133,450
Totals	$ 9,425,000	$ 5,798,386	$ 15,223,386

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
2009-10	$ 48,556
2010-11	48,056
2011-12	47,556
2012-13	47,112
2013-14	46,612
Total	237,892
Less Amount Representing Interest	(29,565)
Present Value of Minimum Lease Payments	$ 208,327

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. The most currently available condensed financial information for the JPAs is shown below:

	CCCSIG Audited June 30, 2009	SSICCC Audited June 30, 2007
Assets	$ 94,005,427	$ 4,505,435
Liabilities	69,346,146	929,758
Net Assets	$ 24,659,281	$ 3,575,677
Revenues	$ 39,472,008	$ 14,463,570
Expenses	35,238,615	13,614,207
Operating Income	4,233,393	849,363
Non-Operating Income	4,123,587	206,947
Change in Net Assets	$ 8,356,980	$ 1,056,310

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
According to the District's attorney, the District was engaged in an unfavorable legal settlement amounting to $260,000. It is expected that the District's insurance will cover the entire amount of the liability.

C. Construction Commitments
As of June 30, 2009, the District had commitments with respect to unfinished capital projects of approximately $3,396,720.

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 2008-09, 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 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in the governmental funds for the fiscal year 2008-09 were as follows:

General Fund	Amount
Certificated Salaries	$ 17,347
Classified Salaries	$ 19,867

NOTE 12 – EMPLOYEE RETIREMENT PLANS

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

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2008-09 was 9.428%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution		Percent of Required Contribution
2008-09	$	205,113	100%
2007-08	$	164,834	100%
2006-07	$	184,177	100%

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

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 2008-09 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 last three fiscal years were as follows:

	Contribution		Percent of Required Contribution
2008-09	$	569,051	100%
2007-08	$	557,050	100%
2006-07	$	515,583	100%

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 $311,564 to STRS (4.517% of salaries subject to STRS in 2008-09).

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

John Swett Unified School District participates in the CalPERS medical program. Dental benefits are provided by Delta Dental. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

	Trust Fund Retiree Benefits Fund
Retirees and beneficiaries receiving benefits*	48
Active plan members*	157
Total	205

** As of July 1, 2007 actuarial valuation*

Number of participating employers	1

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. The District provides medical benefits at the same level they are receiving at the time of retirement for a period of up to 5 years or to age 65, whichever occurs first. When the District joined the CalPERS medical program it elected the CalPERS "unequal contribution" method. Under this method the District gradually increases the monthly amount it contributes toward the cost of postemployment medical premiums with a goal of eventually achieving parity with active employee contributions. In addition, eligible participating retirees receive an additional District provided medical benefit that expires when the retiree reaches age 65 based on number of years of service. Eligible retirees receive full family dental benefits. However, these benefits expire when a retiree reaches age 65.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2008-09, the District contributed $718,612.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	Amount
Annual required contribution (ARC)	$ 412,578
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	412,578
Contributions made:	718,612
Increase in net OPEB asset	306,034
Net OPEB asset - July 1, 2008	-
Net OPEB asset - June 30, 2009	$ 306,034

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008-09 are as follows:

June 30,	Contribution	Contributed	Asset
2009	$ 412,578	174%	$ 306,034

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2007, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $3.8 million and the unfunded actuarial accrued liability (UAAL) was $3.8 million

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

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

	Trust Fund
Valuation Date	July 1, 2007
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	29
Asset Valuation	Market value basis
Actuarial Assumptions:	
Discount rate	7.75%
Investment rate of return	7.75%
Healthcare cost trend rates:	
Medical	5.0%
Dental	4.0%

NOTE 14 – SUBSEQUENT EVENTS

2009 General Obligation Bonds

The District issued 2009 General Obligation Bonds, 2008 Election, Series A, in the aggregate principal amount of $6,001,175 on August 1, 2009. The bonds are being issued by Contra Costa County on behalf of 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. The Series A Bonds are the first series of bonds to be issued under this authorization.

Accounting Treatment of Re-apportioned Categorical Funds

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of $24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis, $1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill $1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to notification by the State that the 2009-10 re-appropriation should not be accrued. No adjustment has been made to reduce revenue and the related receivable in the financial statements as of June 30, 2009 because the amount of the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package is not deemed to be material to the District's financial statements.

Required Supplementary Information

JOHN SWETT UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
Revenues				
Revenue Limit Sources	$ 9,889,853	$ 9,570,129	$ 9,586,739	$ 16,610
Federal	818,625	1,311,924	1,662,945	351,021
Other State	1,949,252	2,077,213	2,083,568	6,355
Other Local	1,150,614	1,056,481	1,132,426	75,945
Total Revenues	13,808,344	14,015,747	14,465,678	449,931
Expenditures				
Certificated Salaries	6,725,256	6,880,241	6,897,588	(17,347)
Classified Salaries	2,048,301	2,021,854	2,041,721	(19,867)
Employee Benefits	3,315,830	3,384,273	3,362,061	22,212
Books and Supplies	432,038	616,875	472,947	143,928
Services and Other Operating Expenditures	2,371,759	2,861,246	2,855,064	6,182
Capital Outlay	-	14,836	14,215	621
Direct Support/Indirect Costs	-	-	(27,191)	27,191
Other Outgo	49,057	49,057	49,056	1
Total Expenditures	14,942,241	15,828,382	15,665,461	162,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,133,897)	(1,812,635)	(1,199,783)	612,852
Other Financing Sources and Uses				
Interfund Transfers In	75,087	75,087	-	(75,087)
Interfund Transfers Out	(75,087)	-	-	-
Total Other Financing Sources and Uses	-	75,087	-	(75,087)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,133,897)	(1,737,548)	(1,199,783)	537,765
Fund Balances, July 1, 2008	4,716,411	4,716,411	4,716,411	-
Fund Balances, June 30, 2009	$ 3,582,514	$ 2,978,863	$ 3,516,628	$ 537,765

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
June 30, 2009

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	$ -	$ 3,752,538	$ 3,752,538	0%	$ 9,073,161	41%

Supplementary Information Section

The John Swett Unified School District is located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, one middle school, one high school and one alternative education center.

GOVERNING BOARD

Member	Office	Term Expires
Brian Colombo	President	2010
Norma Clerici	Clerk	2012
William Concannon	Member	2010
James Delgadillo	Member	2012
Jerrold Parsons	Member	2012

DISTRICT ADMINISTRATORS

Mike McLaughlin, Ed.D.
Superintendent

Ellen Monck
Chief Business Official

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2009

	Second Period Report	Annual Report
Elementary:		
Kindergarten	123	122
Grades 1 through 3	346	346
Grades 4 through 6	316	316
Grades 7 and 8	232	230
Opportunity school	5	5
Special education	45	44
Total Elementary	1,067	1,063
Secondary:		
Grades 9 through 12, regular classes	481	475
Continuation education	19	19
Home and hospital	3	3
Opportunity schools	2	2
Special education	37	37
Total Secondary	542	536
Total Average Daily Attendance	1,609	1,599

Supplemental Instruction Hours	Hours of Attendance
Elementary	17,017
High School	16,280

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2009

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2008-09 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,500	36,000	43,290	180	Complied
Grade 1	43,920	50,400	50,670	180	Complied
Grade 2	43,920	50,400	50,670	180	Complied
Grade 3	43,920	50,400	50,670	180	Complied
Grade 4	50,423	54,000	54,432	180	Complied
Grade 5	50,423	54,000	54,432	180	Complied
Grade 6	50,423	54,000	57,290	180	Complied
Grade 7	50,423	54,000	57,290	180	Complied
Grade 8	50,423	54,000	57,290	180	Complied
Grade 9	64,890	64,800	66,276	180	Complied
Grade 10	64,890	64,800	66,276	180	Complied
Grade 11	64,890	64,800	66,276	180	Complied
Grade 12	64,890	64,800	66,276	180	Complied

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2009

General Fund	(Budget) 2010**	2009	2008	2007
Revenues and other financing sources	$ 12,407,703	$ 14,465,678	$ 14,566,092	$ 15,210,747
Expenditures	14,577,039	15,665,461	15,258,311	13,765,242
Other uses and transfers out	-	-	98,593	72,727
Total outgo	14,577,039	15,665,461	15,356,904	13,837,969
Change in fund balance (deficit)	(2,169,336)	(1,199,783)	(790,812)	1,372,778
Ending fund balance	$ 1,347,292	$ 3,516,628	$ 4,716,411	$ 5,507,223
Available reserves*	$ 538,423	$ 2,095,669	$ 2,529,731	$ 2,455,991
Available reserves as a percentage of total outgo	3.7%	13.4%	16.5%	17.7%
Total long-term debt	$ 9,454,622	$ 9,678,700	$ 9,891,882	$ 10,061,643
Average daily attendance at P-2	1,599	1,610	1,632	1,647

The General Fund balance has decreased by $1,990,595 over the past two years. The fiscal year 2009-10 adopted budget projects a decrease of $2,169,336. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). Long-term debt has $382,943 over the past two years.

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

** Adopted September 2009.

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
National School Lunch Program (NSLP) Cluster:			
National School Lunch	10.555	13523	$ 256,603
Especially Needy School Breakfast	10.553	13526	77,195
USDA commodities	10.565	13389	15,663
Total U.S. Department of Agriculture			349,461
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB):			
Title I- Part A, Basic Grants	84.010	14329	243,021
Title II - Part A Impr Teacher Quality	84.367A	14341	77,606
Title II - Part A Principal Training	84.367	14344	1,275
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	199,942
Title III - Limited English Proficiency	84.365	10084	33,662
Title IV, Part B, 21st Century Community Learning Centers	84.186	14347	204,366
Subtotal NCLB			759,872
Individuals with Disabilities Education Act (IDEA) Cluster:			
Basic Local Assistance, Part B	84.173	13379	286,942
Preschool Grants, Part B	84.173A	13430	6,416
Preschool Local Entitlements, Part B	84.027	13682	14,438
Subtotal			307,796
ARRA- State Fiscal Stabilization Fund (SFSF), Recovery Act	84.394	25008	345,777
Total U.S. Department of Education			1,413,445
Passed through California Dept of Health Services:			
Medi-Cal Billing Option	93.778	10013	24,857
Total U.S. Department of Health & Human Services			24,857
Total Expenditures of Federal Awards			$ 1,787,763

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements
For the Fiscal Year Ended June 30, 2009

There were no differences between the annual financial and budget report and the audited financial statements.

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)
Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time
The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201.

Schedule of Financial Trends and Analysis
This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Expenditures of Federal Awards
The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Sub recipients
Of the Federal expenditures presented in the schedule, the District provided $195,000 to the Alameda County Office of Education-Mathematics Development Center for Title II- Part B, CA Mathematics Science Partnership Federal award.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Other Independent Auditors' Reports

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

We have audited the financial statements of John Swett Unified School District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 1, 2009. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered John Swett Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the John Swett Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the John Swett Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.
We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items #2009-1 and #2009-2 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

John Swett Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nigro Nigro & White, PC

San Diego, California
December 1, 2009

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

Compliance

We have audited the compliance of John Swett Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. John Swett Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of John Swett Unified School District's management. Our responsibility is to express an opinion on John Swett Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about John Swett Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on John Swett Unified School District's compliance with those requirements.

In our opinion, John Swett Unified School District, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of John Swett Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered John Swett Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, others within the entity, the California Department of Education, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nigro Nigro & White, PC

San Diego, California
December 1, 2009

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Rodeo, California

AUDITORS' REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the John Swett Unified School District, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 1, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Not applicable
Regional Occupational Centers and Programs	6	Not applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	Not applicable
Morgan-Hart Class Size Reduction Program	7	Not applicable[1]

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	12	1[2]
K-8 only	1	Not applicable[1]
Grades 9-12 only	1	Not applicable[1]
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not applicable[1]
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Not applicable

[1] This program is not required to be audited per flexibility provisions in SBx3 4.

[2] The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

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

This report is intended solely for the information and use of the Board, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Nigro Nigro & White, PC

San Diego, California
December 1, 2009

Findings and Questioned Costs Section

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster: IDEA
10.553-10.565	NSLP Cluster
84.394	ARRA- State Fiscal Stabilization Fund (SFSF)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for state programs:	Unqualified

Section II -- Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding #2009-1: Deficit Spending (30000)

As shown on page 53, the Schedule of Financial Trends and Analysis, the District has deficit spent in the fiscal years 2008-09 and 2007-08 and projects additional deficit spending in 2009-10. While the District has minimum available reserve balances, the continued pattern of deficit spending combined with state funding uncertainty and the one-time nature of major funding sources threatens the District fiscal solvency. We encourage the District in its current efforts to bring expenditures into alignment with revenue projections through budget cuts.

Recommendation: We recommend that the District monitor and maintain budgetary control over expenditures and make the necessary adjustments in 2009-10 to reverse the pattern of deficit spending in the current and future fiscal years. We also encourage the District to adopt a minimum fund balance reserve policy, in excess of 3%, that provides a cushion for the potential revenue shortfalls. A fiscally prudent percentage might be 5% or more. We recommend that the District continue to use monthly budget status reports to scrutinize proposed expenditures for the current operations and limit them to revenues received and the amounts appropriated.

District Response: District management is conducting ongoing comprehensive reviews of its 2009-10 budget to identify the reductions to be made beginning with the 2010-11 budget year. Some of the expenditure changes that will significantly reduce deficit spending require the modification of existing provisions of labor agreements. The District is currently in negotiations with the represented employees for the purpose of making the necessary contractual changes that will enable the implementation of certain budget reduction measures.

Section II – Financial Statement Findings (continued)

Finding #2009-2 Associated Student Body (ASB) Accounting (30000)
In our audit of internal control over ASB funds we noted the following deficiencies:

Carquinez Middle School:

- A budget is not prepared and adopted by the Student Council

Rodeo Hills Elementary:

- Good cash receipting procedures require anyone turning in monies to the ASB bookkeeper to provide adequate supporting documentation is not being performed consistently

Recommendation: Ensure that ASBs are preparing budgets. Also when cash is collected, backup should be turned in the form of pre-numbered cash receipts, ticket reconciliations or sales logs. Any discrepancies between the receipts and the cash collected should be identified and analyzed if significant.

District Response: The Associated Student Body (ASB) for Carquinez Middle School has prepared a budget for the 2009-10 school year and is updating the budget on an ongoing basis. At Rodeo Hills Elementary School, individuals who submit cash collected for ASB activities for the 2009-10 school year are required to provide backup documentation detailing the sources and amounts received.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings and questioned costs in 2008-09.

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings and questioned costs in 2008-09.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2008-1: Associated Student Body (ASB) Accounting	In our audit of internal controls over ASB funds we noted the following deficiencies: Carquinez Middle School: • A budget is not prepared and adopted by the Student Council • Pre-numbered cash receipts are not used for all fundraising activities • There is lack of segregation of duties since the bookkeeper collects and deposits cash and posts entries to the books. Lack of adequate segregation of duties provides an opportunity for the misappropriation of cash. John Swett High: • A budget is not prepared and adopted by the Student Council • Supporting documentation for one invoice paid to Bucks Bags for $1,531 not found • Cash was deposited for the homecoming dance but we found no support that the amount deposited was reconciled to tickets sold, any cash over or short would go undetected Rodeo Hills Elementary: • Good cash receipting procedures, including the use of pre-numbered receipts, are not being used consistently	30000	We recommend that all ASBs follow the standards and procedures in the FCMAT Associated Student Accounting manual, which would address each of the deficiencies noted above.	Partially Implemented, See Finding #2009-2

JOHN SWETT UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2009

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2008-2: Cafeteria Cash Handling	The lead food service worker at each site receives cash, counts the cash, prepares and makes the deposit. This lack of segregation of duties could lead to the misappropriation of cash without detection. There used to be a person that would recount and make the deposit but the position was lost in budget cuts.	30000	We recommend that lead food service worker and the district food services administrator count the cash and document their agreement on the deposit slip and on the bank deposit worksheet from the Mealtime POS system.	Implemented
Finding #2008-3: Cafeteria Sales Reports	A daily inventory of meals served is taken but not reconciled to the daily sales report. The sales report includes a la carte sales but this does not account for the entire variance. Reconciling the meals served to the sales report (which includes free, reduced, and paid meals) will help to ensure all meals and funds collected is accounted for on a daily basis.	30000	Recommendation: Include the al a carte sales reconciliation with the total food services sales reconciliation for the day and reconcile daily to ensure agreement of sales and cash collected with deposit and document any cash overage or shortage.	Implemented

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2008-4: Free and Reduced Meal Applications	**Federal Program:** National School Lunch, 10.553-10.555 **Criteria:** The federal compliance supplement requires the entity to verify current free and reduced price eligibility of households. These requirements can be found on the USDA website, www.fns.usda.gov/cnd/Lunch/default.htm **Condition::** At Carquinez Middle School, 4 out of 20 sampled pupils were incorrectly classified as free (should be reduced). We performed an additional test at year end and selected 30 free and reduced applications and traced to system to verify correct classification. 1 out of 30 was classified as free and should have been reduced. 5 out of 50, or 10% of students tested were inaccurately classified. **Questioned Costs:** Maximum: National School Lunch: 5 students* 180 days*.40(free-reduced: $2.49-2.09) = $360 **Effect:** Non-compliance with eligibility requirement	50000	We recommend that the district perform an internal audit of the free and reduced meal applications to determine correct classification. Claim forms should be revised and resubmitted	Implemented

APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget 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 Refunding Bonds is payable from the General Fund of the District. The Refunding 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 REFUNDING BONDS –Security for the Refunding Bonds" in the front half of the Official Statement.

General Information

The District is located in the San Francisco Bay Area of Northern California, and 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. It encompasses approximately 96 square miles. The District is currently operating one elementary school, one middle school, one high school, and one alternative education center. Enrollment in the District for grades K-12 in the 2009-10 school year was 1,681 students and is estimated to be 1,629 for 2010-11.

Administration

Board of Education. 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 of Education 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	Position	Term Expires
Brian Colombo	President	December 2010
Norma Clerici	Clerk	December 2012
William Concannon	Member	December 2010
James Delgadillo	Member	December 2012
Jerrold Parsons	Member	December 2012

Superintendent. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Michael Mclaughlin, Ed.D. is currently serving as Superintendent.

Acting Chief Financial Officer. Dr. Paul Disario, President of Disario and Associates, who is a retired school district Chief Financial Officer, was appointed in January, 2010 by the Contra Costa County Superintendent of Schools to oversee the District's finances and fiscal recovery. The District's Chief Financial Officer retired on June 30, 2010. Dr. Disario is currently the Acting Chief Financial Officer as the District transitions its fiscal and financial services to the Contra Costa County Office of Education, which will act in this capacity for the District. See "DISTRICT FINANCIAL INFORMATION – District Budget and Interim Reporting."

Recent Enrollment Trends

The following table shows enrollment history for the District for the last five fiscal year, with estimated enrollment figures for 2010-11.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2005-06 through 2010-11

School Year	Enrollment	% Change
2005-06	1,821	---
2006-07	1,779	(2.3)
2007-08	1,745	(1.9)
2008-09	1,708	(2.1)
2009-10	1,681	(1.6)
2010-11 [(1)]	1,629	(3.0)

(1) District estimate; District expects that decline in 2010-11 will be less than its current estimate.
Source: California Department of Education, Educational Demographics Unit; The District.

Employee Relations

The John Swett Education Association, an association of the California Teachers Association, represents 78.42 full time equivalent (**"FTE"**) of the District's certificated employees. Its contract with the District expires on June 30, 2012. The California School Employees Association is the exclusive bargaining agent for non-teaching staff (classified employees), and represents 28,358 of the District's classified employees. Its contract with the District expired on June 30, 2010 and is in the process of being renegotiated.

District Retirement Systems

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**").

All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll.

The District's contribution to STRS for fiscal year 2008-09 was $569,051, for fiscal year 2009-10 was $514,756 (estimated actual) and is budgeted to be $419,438 for fiscal year 2010-11.

All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within PERS. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each participant.

The District's contribution to PERS for fiscal year 2008-09 was $205,113, was $164,114 (estimated actual) for fiscal year 2009-10 and is budgeted to be $129,327 for fiscal year 2010-11.

Other Post-Employment Retirement Benefits

In June 2004, the Governmental Accounting Standards Board (**"GASB"**) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (**"GASB 45"**). The pronouncement requires employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB 45 was effective for the District for the fiscal year ending June 30, 2009. GASB 45 provides that school districts should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree employment benefits other than pensions for the period of time agreed in union contracts.

Plan Description. The District currently participates in the PERS medical program. Dental benefits are provided by Delta Dental. The District provides post-employment healthcare benefits (**"OPEB"**), in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Coverage extends for five years or until the age of 65, whichever occurs first. Coverage is equal to what the employee was receiving at the time of retirement.

As of June 30, 2010, there were 131 active plan members and 55 retirees and beneficiaries receiving benefits, for total membership in the plan of 186. The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District's Board of Education. For fiscal year 2008-09 the District contributed $718,612; during fiscal year 2009-10 the amount was $354,783 (unaudited) and the amount budgeted for 2010-11 is $321,890.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost is calculated based on the annual required contribution of the employer (**"ARC"**), an amount actuarially determined in accordance with the parameters of GASB 45. GASB 45 requires local government employers who provide OPEB as part of the compensation offered to employees to recognize the expense and related liabilities and assets in their financial statements.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (**"UAAL"**) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the 2009-10 fiscal year, the amount actually contributed to the plan (which was 100% of ARC), and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 354,783
Contributions made	354,783
Increase in net OPEB asset	0

OPEB Funded Status and Funding Progress. The most recent actuarial valuation was as of July 1, 2009, at which time the District did not have a funded plan. As of July 1, 2009, the accrued actuarial liability was $3.7 million, and the unfunded actuarial liability was $3.4 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the District's 2008-09 Audited Financial Statement attached hereto (see page 49 therein), presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, since fiscal year 2008-09 was the first year of implementing GASB 45, only the 2008-09 information is presented.

Accumulated and Unpaid Vacation. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2009, was $31,801 and as of June 30, 2010 was $32,972.75.

DISTRICT FINANCIAL INFORMATION

The information in this and other sections concerning the District's operations and operating budget 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 Refunding Bonds is payable from the General Fund of the District. The Refunding 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.

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.

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see "APPENDIX A – Audited Financial Statements of the District for the Fiscal Year ending June 30, 2009 – Note 1 Significant Accounting Policies" herein.

The Governmental Accounting Standards Board (**"GASB"**) Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" was adopted on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. The District implemented Statement No. 34 for the fiscal year 2003-04 audited financial statement.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2009 Audited Financial Statements were prepared by Nigro, Nigro & White, A Professional Accountancy Corporation, Murrieta, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2009, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 400 Parker Avenue, Rodeo, California 94572, Phone: (510) 245-4300. See Appendix A hereto for the June 30, 2009 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District may impose charges for copying, mailing and handling.

The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited general fund income and expense statements for the District for the fiscal years 2006-07 through 2008-09.

JOHN SWETT UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2006-07 through 2008-09 (Audited)

	2006-07 Audited	2007-08 Audited	2008-09 Audited
Revenues			
General Revenues:			
Property taxes	$5,891,892	$6,114,919	$ 6,072,076
Federal and state aid not restricted to specific purpose	5,275,403	4,709,547	4,588,817
Earnings on investments	310,031	235,142	44,593
Interagency revenues			29,400
Miscellaneous	254,020	123,531	142,461
Program Revenues:			
Charges for services	153,657	165,719	165,691
Operating grants and contributions	3,255,134	3,143,299	3,422,640
Capital grants and contributions	--	--	--
Total Revenue	15,140,137	14,492,157	14,465,678
Expenditures			
Instruction	8,681,362	9,519,534	9,862,915
Instruction related services:			
Supervision of instruction	292,093	373,587	298,355
Library, media and technology	129,230	165,837	119,847
School site administration	969,081	1,069,433	1,123,458
Pupil support services:			
Home-to-school transportation	660,187	713,363	749,258
All other pupil services	418,361	666,781	676,917
General Administration Services:			
Data processing services	106,990	106,843	134,471
Other general administration	981,524	981,527	1,033,897
Plant services	1,432,182	1,526,479	1,525,631
Facility acquisition, construction	--	892	8,021
Ancillary services	94,232	84,083	83,635
Debt service			
Principal	--	35,566	36,481
Interest and other	--	14,386	12,575
Total Expenditures	13,765,242	15,258,311	15,665,461
Excess (deficit) of revenues over (under) expenditures	1,374,895	(766,155)	(1,199,783)
Other Financing Sources (Uses):			
Interfund transfers in	70,610	73,936	--
Interfund transfers out	(72,727)	(98,593)	--
Total Other Sources (Uses)	(2,117)	(24,657)	--
Net change in fund balance	1,372,778	(790,812)	--
Beginning Balance	4,134,445	5,507,223	4,716,411
Ending Balance	$5,507,223	$4,716,411	$3,516,628

Source: John Swett Unified School District's Audited Financial Statements.

The following table shows the General Fund income and expense statements for the District for the fiscal years 2009-10 (estimated actual) and 2010-11 (budgeted). The District's budgets and interim reports are not prepared in compliance with GASB Statement No. 34 requirements. Totals may not foot due to rounding.

JOHN SWETT UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2009-10 (Third Interim Report)
Fiscal Year 2010-11 (Budgeted)

	Estimated Actual 2009-10 (1)	Budgeted 2010-11(2)
REVENUES		
Revenue Limit Sources	$8,299,051	$8,079,905
Federal	2,274,159	1,703,213
Other State	1,824,457	1,716,497
Other Local	878,887	823,192
Total Revenues	13,276,554	12,322,807
EXPENDITURES		
Certificated Salaries	6,438,963	5,327,872
Classified Salaries	2,061,971	1,563,041
Employee Benefits	3,249,979	2,877,768
Books and Supplies	594,571	487,180
Services, other operating expenses	3,393,267	3,088,948
Capital Outlay	30,500	
Total Expenditures	15,769,251	13,344,809
Revenues Over (Under) Expends	(2,492,697)	(1,022,002)
OTHER FINANCING SOURCES		
Operating Transfers In	380,000	110,000
Operating Transfers Out	(202,843)	--
Net Financing Sources (Uses)	177,157	110,000
Net Change in Fund Balance	(2,315,540)	(912,002)
Fund Balance, July 1 (as restated)	4,080,306	1,764,766
Fund Balance, June 30	$1,764,766	$852,764

(1) The Second Interim Report filed for fiscal year 2009-10 was filed with a negative certification due to, among other items, projected deficits, a negative cash balance and available reserves insufficient to meet minimum requirements. A fiscal stabilization plan was subsequently adopted and implemented. See below discussion under "-District Budget and Interim Reporting."
(2) 2010-11 Adopted Budget was conditionally approved by the County Superintendent on September 20, 2010. See below discussion under "-District Budget and Interim Reporting."
Source: John Swett Unified School District.

District Budget and Interim Financial Reporting

Budgeting the Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Contra Costa County Superintendent of Schools (the **"County Superintendent"**).

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

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

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. The District filed its 2009-10 First Interim Report with a qualified certification, and filed its 2009-10 Second Interim Report with a negative certification, both within the meaning of Section 42133 of the California Education Code.

In January 2010, the County Office of Education appointed Dr. Paul Disario of Disario and Associates, as fiscal advisor to the District, to oversee the District's fiscal recovery. District management has worked with its financial advisors in formulating a plan to eliminate the deficit for 2010-11 and target a 3% unrestricted general fund reserve. The Third Interim Report proposed budget reductions for 2010-11, summarized below:

Description	2010-11	2011-12	2-Year Budget Impact
21.0 Certificated and administrative staff	$1,496,840	1,526,776	$3,023,616
16.3 Classified and administration	890,811	903,798	1,794,609
37.3 Certificated and Classified Total	2,387,651	2,430,574	4,818,225
Work Calendar and Operations	189,315	--	--
One-time Transfer from Deferred Maintenance	$2,926,965	$2,700,476	$5,627,441

The State's 2009-10 Budget Act allowed for flexibility in the use of deferred maintenance fund carryovers and the ability to transfer funds to the general fund. The District's Third Interim multi-year projection applies the above-listed reductions and one-time transfer to the 2010-11 fiscal year. Compared with the 2010-11 outlook in the Second Interim Report, the primary change is the savings in restricted salaries and benefits. As a result, the District estimates a reduction of approximately $234,000 in its contributions from its unrestricted funds to restricted programs, primarily special education. This increases the estimated unrestricted ending general fund balance by approximately $144,000 for 2010-11. The estimated savings results in a restoration of a 3% reserve for the 2010-11 year, based on the current State funding outlook. In addition, all District employees have reduced their work calendar be five days for the 2010-11 year.

The District's 2010-11 Budget was adopted on June 23, 2010 and was conditionally approved by the County Superintendent on September 20, 2010. The conditional approval means that the County Office of Education approved the 2010-11 Budget with the expectation that the District will make cuts of $600,000 during fiscal year 2010-11, prior to adoption of the 2011-12 Budget.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 400 Parker Avenue, Rodeo, California 94572, Phone: (510) 245-4300. The District may impose charges for copying, mailing and handling.

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.

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of $120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding to categorical entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is not a Basic Aid district.

The District deficited base revenue limit per A.D.A. for 2009-10 was $5,219 per unit of A.D.A., with a total revenue limit of $8,299,051. For 2010-11, the District has budgeted a deficited base revenue limit of $5,198 per unit of A.D.A. and a total revenue limit of $8,079,905.

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:

JOHN SWETT UNIFIED SCHOOL DISTRICT
District Revenue Sources

	Percentage of Total District General Fund Revenues		
Revenue Source	2008-09	2009-10(1)	2010-11(2)
Revenue limit sources	66.3%	62.5%	65.6%
Federal revenues	11.5	17.1	13.8
Other State revenues	14.4	13.7	13.9
Other local revenues	7.8	6.6	6.7

(1) Unaudited.
(2) Budgeted.
Source: John Swett Unified School District.

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 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 programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

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, home-to-school transportation, Economic Impact Aid, and mandated cost reimbursements.

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 comprise 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.

Investment of District Funds

In accordance with Government Code Section 53600 et seq., the Contra Costa County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. A copy of the County's investment policy is attached here to as Appendix G.

Existing Debt Obligations

Capital Lease Obligations. The District leases equipment under agreements that provide for title to pass upon expiration of the lease period. Rental obligations are payable from the general fund of the District. The balance on the District's equipment leases, as of June 30, 2009, was $713,489. Future payments under the leases are shown in the following table, as of June 30, 2009. The final payment is due in Fiscal Year 2013-14.

Year Ending June 30	Total Lease Payments
2009-10	$48,556
2010-11	48,056
2011-12	47,556
2012-13	47,112
2013-14	46,612
Total	237,892
Less: Amount Representing Interest	(29,565)
Present Value of Minimum Lease Payments	$208,327

General Obligation Bonds. In addition to the Prior Bonds being refunded with Refunding Bond proceeds, on September 17, 2009, the District has outstanding its Series A Bonds. The Series A Bonds mature on August 1 through the year 2034, and were issued as current interest bonds and as capital appreciation bonds. See "DEBT SERVICE SCHEDULES - Combined Debt Service Schedule" herein.

Investment of District Funds

The Education Code provides that the funds of school districts, except as otherwise set forth below, shall be deposited into the County Treasury to the credit of the proper fund of the school district. The Education Code provides that certain moneys not required for the immediate necessities of a school district may be invested in investments specified in Section 16430 or 53601 of the Government Code. Accordingly, all funds of school and community college districts not subject to the exception, including cash receipts and other moneys received by each district for deposit to the general fund of such district, are deposited with the County Treasury, to remain on deposit therein and generally available for the payment of current expenses and other obligations of such school district. For a discussion of the County Treasury, see APPENDIX G – "THE CONTRA COSTA COUNTY POOLED SURPLUS INVESTMENTS." Moneys deposited with the Trustee under any Trust Agreement are not required to be deposited in the County Treasury.

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 generally receive the majority 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 and Revenue Limitations" above). 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 LIMITATIONS ON TAXES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

State Funding of Education and Recent State Budgets

General. 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. 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 and Revenue Limitations" above). 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. 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 State 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 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 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'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 in this Official Statement 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 9 to 13 years.

2009-10 Adopted State Budget. The following is a summary of legislative actions taken with respect to the 2009-10 Budget.

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 would face a deficit of $39.6 billion at the end of 2009-10. The 2009-10 Proposed Budget proposed $41.7 billion in budgetary solutions to close the gap and establish a $2.2 billion reserve, including: the issuance of $4.7 billion in revenue anticipation warrants, capturing savings in K-14 education through spending reductions, accounting changes and cost deferrals and raising $5 billion in proceeds with the securitization of lottery revenues. Many of the Governor's proposals required voter approval to be implemented.

February 19, 2009. The California Legislature voted to approve a budget package (the "**Budget Package**") addressing the State's $42 billion deficit, which included $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 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. Several key propositions in the Budget Package required voter approval at a special election, but were ultimately rejected by the voters.

February 13, 2009. The U.S. House of Representatives and the Senate approved the American Recovery and Reinvestment Act, committing a total of $787 billion nationwide. A report issued by the LAO entitled "Federal Economic Stimulus Package: Fiscal Effect on California" estimated that the State will receive over $31 billion in aid and billions more in competitive grants, about $8 billion of which would be available in 2008-09 and 2009-10.

February 20, 2009. The Governor signed the Budget Package. The Governor used his line item veto power in an attempt to achieve $1 billion more in savings, including replacing general fund appropriations for higher education with federal funds, and reforms and cost-saving measures for state prisons.

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, based on the success or failure of the 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 intended to help balance the State's budget, the May Revision estimated a budget shortfall of $21 billion in 2009-10, meaning that the Legislature and the Governor would need to agree to billions of dollars in additional spending cuts, tax increases or other budgetary solutions to bring the budget back into balance.

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 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, 2009, 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 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 county 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 that the $1.1 billion difference was to be made up from 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 Package. 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.

Redevelopment Agencies. The approved budget amendments include taking $2.05 billion in redevelopment funds ($1.7 billion in 2009-10 and $350 million in 2010-11), to be deposited in county "Supplemental" Educational Revenue Augmentation Funds ("**SERAF**") in order to meet the State's Proposition 98 obligations to schools. The structure for taking redevelopment revenue is similar to last year's budget trailer bill, AB 1389, which attempted to take $350 million. The Department of Finance will determine each agency's SERAF payment by November 15 of each year, calculated based on half of each agency's net tax increment (net of pass-throughs) and half on gross tax income. Payments are due by May 10 of the applicable year and agencies that do not make their payment by this date must increase their housing set aside to 25% for the remainder of the redevelopment project area's life. The increased housing set-aside lasts until the required payments have been made and means that an agency could not adopt a new redevelopment plan, amend an existing plan to add territory, issue bonds, further encumber funds or expend any moneys derived from any source except to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on agency administration for the preceding fiscal year.

The California Redevelopment Association ("CRA") filed a lawsuit to challenge the State's taking redevelopment funds approved in the budget amendments. The CRA was successful in overturning the ERAF shift authorized by AB 1389 last year. On May 4, 2010, the Superior Court ruled that the 2009 SERAF Legislation is constitutional. However, the CRA has announced that it will appeal the judgment of the Superior Court and that it will seek a temporary stay of the judgment from the California Court of Appeal pending the appeal.

2010-11 State Budget. Set forth below is a summary of information available with respect to the 2010-11 State Budget.

November 18, 2009 - LAO Report on Fiscal Year 20010-11. On November 18, 2009, the LAO released a report entitled "The 2010-11 Budget: California's Fiscal Outlook," in which it forecast that the State will need to address a general fund budget problem of $20.7 billion between now and the time the Legislature enacts a fiscal year 2010-11 State budget plan. The budget problem consists of a $6.3 billion projected deficit for fiscal year 2009-10 and a $14.4 billion gap between projected revenues and spending in fiscal year 2010-11.

January 8, 2010 – 2010-11 Proposed Budget Submitted by Governor to Legislature. The Governor submitted his 2010-11 Budget to the State Legislature. The 2010-11 Proposed Budget acknowledges a projected budget gap of $19.9 billion, comprised of a 2009-10 shortfall of $6.6 billion, a 2010-11 budget year shortfall of $12.3 billion and a modest reserve of $1 billion. The Governor proposes a combination of spending reductions, alternative funding, fund shifts and additional federal funds to close the $19.9 billion budget gap. Approximately 40% of the solutions rely on the federal government for funding or flexibility, another 40% rely on reductions in State spending, and the remaining 20% consists of various fund shifts.

With respect to K-12 funding, the 2010-11 Budget proposes full funding of the Proposition 98 minimum guarantee, but a reduction of approximately 10% in funding for administration and other non-instruction related spending. The Budget includes various flexible spending propositions, including those with respect to teacher seniority, substitute costs, staffing notification requirements, and reduced school year. Non-Proposition 98 programs funded with State general fund monies are reduced by $2 million, or 0.2%.

LAO Reports. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a $18.9 billion budget problem is reasonable but is $3.1 billion smaller shortfall than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relies heavily on federal relief, which the State is unlikely to receive in the amounts requested. The Legislature needs to assume that the federal relief will total billions less than the Governor budgets for and will need to make difficult decisions regarding both revenues and spending by the end of March in order to implement them for the next fiscal year.

On February 25, 2010, the LAO released a report commenting on the 2010-11 Proposed Budget's Proposition 98 and K-12 Education proposals. The LAO report states that the Governor's Proposed Budget would result in reductions in Proposition 98 funding levels from what is currently required by approximately $2.2 billion in 2009-10 and approximately $3.2 billion in 2010-11. K-12 revenue limit funding would be cut by $1.5 billion and virtually all education mandates would be suspended in 2010-11. These reductions are based in part on the Governor's interpretation of "minimum guarantee" as described under "Proposition 98 Funding" above. According to the LAO report, the 2010-11 Proposed Budget takes steps in the right direction by reducing costs, providing flexibility and seeking federal funding, but it also misses opportunities for meaningful reform and is based on several assumptions that, if they do not come to pass, would render the plan unworkable.

May 12, 2010 – Governor Submits May Revise to 2010-11 Budget. The Governor submitted a revised 2010-11 Budget which calls for $12.4 billion in spending cuts to help bridge a $20 billion deficit over the next fiscal year. The May Revise cuts heavily into State programs, such as CalWORKS, mental health, childcare and some natural resources programs.

LAO Report. On May 18, 2010, the LAO published its comments on the May Revision stating that the Governor's estimate of the budget shortfall is reasonable. However, the LAO Report advises the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urges the Legislature to suspend Proposition 98 if the minimum guarantee is above the level that the state can afford. The LAO predicts that even if the Legislature approves all of the painful cuts and realizes the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between $4 billion and $7 billion is likely to persist in future years.

July 1, 2010: 2010-11 Fiscal Year Begins. The June 15, 2010 deadline for the State legislature to pass the State Budget bill has passed and the 2010-11 Budget Act, which must be approved by a two-thirds majority vote of each House of the Legislature, has not yet been approved. The District cannot predict when the 2010-11 State Budget will be approved or what impact it might have on the District's finances.

July 28, 2010 - Governor Declares Financial State of Emergency; Legislative Session Ends Without Budget Passage. On July 28, 2010, the Governor declared a financial state of emergency and ordered 150,000 state workers to take furlough three days per month. The legislative session ended on August 31, 2010 and lawmakers did not approve a 2010-11 budget.

August 23, 2010 – State Delaying Payments. In an effort to conserve cash and delay the need to issue IOUs, state officials decided to start delaying school payments of $2.5 billion a month in September through December. This comes after a $2.5 billion deferral in July. The State Controller has stated that he will begin issuing IOUs in October if the budget stalemate continues.

October 1, 2010 – Informal 2010-11 Budget Agreement Announced. The California Senate President Pro Tem announced that the State's leaders had met and reached a final agreement on closing a $19.1 billion deficit to balance the State Budget. Both the State Senate and Assembly must approve the agreement by a 2/3 vote. A vote is expected to occur on October 7, 2010.

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 in this Official Statement 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.

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 Bonds. Although they 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 in this Official Statement or incorporated herein.

2010 Legal Challenge to State Funding of Education

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets."

On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified, Alpine Union, Del Norte County Unified, Folsom Cordova Unified, Hemet Unified, Porterville Unified, Riverside Unified, San Francisco Unified, and Santa Ana Unified School Districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in a change in how school finance is implemented in the State of California.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other 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 Refunding Bonds. The tax levied by the County for payment of the Refunding 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% of the voters of the district, but only if certain accountability measures are included in the proposition. As described under "THE BONDS – Authority for Issuance", the District received authorization by a requisite 55% of voters to issue the 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.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to employed in determining the full cash value of property for property tax purposes.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

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 50% 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.

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 vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the 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 *Fresno 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-thirds 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.

Application of Constitutional and Statutory Provisions; Recent Lawsuit

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets."

In addition on May 20, 2010, a plaintiff class of numerous current California public school students school districts and other associations filed a lawsuit challenging the system of financing for public schools in California as unconstitutional. See Appendix B under the heading "DISTRICT FINANCIAL INFORMATION – 2010 Legal Change to State Funding of Education."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98 and 111 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.

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF HERCULES AND CONTRA COSTA COUNTY

The following information concerning the County and the cities listed above is included only for the purpose of supplying general information regarding the area of the District. The Refunding Bonds are not a debt of the County, listed cities, the State or any of its political subdivisions, and neither the said County, the listed cities, said State nor any of its political subdivisions is liable therefor.

City of Hercules. The City of Hercules (the "**City**") is located in Contra Costa County. Formerly one of many small bedroom-communities along the I-80 corridor in Western Contra Costa County, the City is undergoing a metamorphosis into a transit-oriented, mixed-use town. It is located about 20 miles northeast of San Francisco, and approximately a half-hour drive (without traffic) from either Oakland or San Francisco. Neighboring towns are Pinole to the southwest, Rodeo to the north, as well as Martinez to the east via California State Highway 4.

The City is home to a small amount of light manufacturing and high-tech industry (most notably Bio-Rad Laboratories, a Fortune 1000 company) as well as various commercial and retail activities. Projects to develop mixed-use new development have begun in the waterfront district and around the intersection of I-80 and CA-4. The waterfront redevelopment includes the historic preservation and integration of a handful of buildings, some dating to Hercules's founding as a company town (established as the home of California Powder Works in 1881).

Population

The following table lists population figures for the City, the County and the State for the last five calendar years.

CITY OF HERCULES; CONTRA COSTA COUNTY; AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2006 through 2010

Year	City of Hercules	Contra Costa County	State of California
2006	23,532	1,025,436	37,087,005
2007	23,853	1,035,097	37,463,609
2008	24,306	1,048,185	37,871,509
2009	24,499	1,061,325	38,255,508
2010	24,693	1,073,055	38,648,090

Sources: State of California, Department of Finance, as of January 1.

Commercial Activity

Total taxable sales during the first two quarters of calendar year 2009 in the City were reported to be $61,789,000, a 10.1% decrease over the total taxable sales of $68,726,000 reported during the first two quarters of calendar year 2008. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table. Annual figures are not yet available for 2009.

CITY OF HERCULES
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	138	$80,625	264	$108,473
2005	132	82,702	262	113,121
2006	126	94,036	251	127,680
2007	128	87,601	262	124,879
2008	121	87,916	250	128,453

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first two quarters of calendar year 2009 in the County were reported to be $5,691,985,000, a 14.4% decrease over the total taxable sales of $6,645,796,000 reported during the first two quarters of calendar year 2008. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table. Annual figures are not yet available for 2009.

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

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
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
2008	11,577	9,484,307	23,149	13,307,681

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The unemployment rate in the Oakland-Fremont-Hayward Metropolitan statistical area was 11.8% in July 2010, up from a revised 11.4% in June 2010, and above the year-ago estimate of 11.3%. This compares with an unadjusted unemployment rate of 12.8% for California and 9.7% for the nation during the same period. The unemployment rate was 11.9% in Alameda County, and 11.7% in Contra Costa County.

The following table summarizes the annual average civilian labor force, employment and unemployment in the Oakland-Fremont-Hayward Metropolitan Statistical Area (which includes the Counties) for the calendar years 2005 through 2009.

OAKLAND-FREMONT-HAYWARD METROPOLITAN STATISTICAL AREA
(CONTRA COSTA AND ALAMEDA COUNTIES)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2005	2006	2007	2008	2009
Civilian Labor Force (1)	1,246,500	1,252,200	1,267,100	1,287,800	1,288,600
Employment	1,183,800	1,197,500	1,207,900	1,208,500	1,153,000
Unemployment	62,700	54,700	59,200	79,200	135,600
Unemployment Rate	5.0%	4.4%	4.7%	6.2%	10.5%
Wage and Salary Employment: (2)					
Agriculture	1,600	1,500	1,500	1,400	1,500
Mining and Logging	1,100	1,200	1,200	1,200	1,200
Construction	72,800	73,300	71,700	64,900	53,500
Manufacturing	95,600	95,800	94,400	93,100	82,500
Wholesale Trade	48,600	48,800	48,700	47,600	43,900
Retail Trade	112,100	113,300	113,300	109,400	102,000
Transportation, Warehousing, Utilities	34,300	35,000	37,300	35,900	33,100
Information	30,700	30,100	29,000	27,800	25,200
Finance and Insurance	50,800	49,400	45,400	40,700	37,100
Real Estate and Rental and Leasing	18,700	18,200	17,000	16,500	15,400
Professional and Business Services	150,600	154,900	158,000	162,200	148,500
Educational and Health Services	118,500	121,800	124,200	128,700	130,000
Leisure and Hospitality	83,000	85,600	88,000	89,100	85,200
Other Services	35,600	35,900	36,200	36,100	34,300
Federal Government	17,300	17,300	17,100	17,100	17,200
State Government	46,200	45,800	44,500	39,100	38,900
Local Government	116,500	118,900	122,300	121,100	118,500
Total, All Industries (3)	1,033,700	1,046,900	1,049,700	1,031,800	967,900

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

Major Employers

The following table lists the largest employers within Contra Costa County.

CONTRA COSTA COUNTY
Major Employers
(As of January 2010- Listed Alphabetically)

Employer Name	Location	Industry
Bank of the West	Walnut Creek	Bank
Bio-Rad Laboratories Inc.	Hercules	Laboratory Analytical Instruments
C&H Sugar Co. Inc.	Crockett	Sugar Refinery
Chevron Corp	San Ramon	Oil Refiners (Manufacturers)
Chevron Global Downstream LLC	San Ramon	Service Stations-Gasoline & Oil
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Ctr	Martinez	Government Offices-County
Department of Veterans Affairs	Martinez	Physicians & Surgeons
Doctor's Medical Ctr	San Pablo	Hospitals
John Muir Medical Center	Walnut Creek	Hospital
John Muir Medical Center	Concord	Hospital
John Muir Medical Physical Rehab	Concord	Rehabilitation Services
Kaiser Permanente Medical Ctr	Walnut Creek	Hospitals
Kaiser Permanente Medical Ctr	Martinez	Health Plans
Muirlab	Walnut Creek	Laboratories-Medical
Pmi Mortgage Insurance Co	Walnut Creek	Insurance-Mortgage
Richmond City Offices	Richmond	Government Offices-City, Village & Twp
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Shell Martinez Refinery	Martinez	Oil Refinery
Shell Oil Products Co	Martinez	Service Stations-Gasoline & Oil
St Mary's College-California	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Ctr	Antioch	Hospitals
Tesoro Refining & Marketing	Pacheco	Oil Refiners (Manufacturers)
US Veterans Medical Ctr	Martinez	Hospitals
USS-Posco Industries	Pittsburg	Steel Mills (Mfrs)
VA Outpatient Clinic	Martinez	Physicians & Surgeons

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

Construction Activity

Building activity for the past five years in the City and the County is shown in the following tables.

CITY OF HERCULES
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$77,302.2	$5,195.8	$ 925.1	$ 744.9	$ 188.4
New Multi-family	0.0	0.0	600.0	0.0	0.0
Res. Alterations/Additions	5,689.8	3,831.3	2,245.9	1,545.9	1,678.1
Total Residential	82,992.1	9,027.1	3,771.0	2,290.8	1,866.5
New Commercial	2,796.2	0.0	600.0	1,550.0	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	648.1	264.4	124.1	103.9	1,140.0
Com. Alterations/Additions	2,733.6	1,593.8	2,442.1	1,522.8	2,048.0
Total Nonresidential	6,177.9	1,858.2	3,166.3	3,176.7	3,188.0
New Dwelling Units					
Single Family	328	21	4	4	1
Multiple Family	0	0	5	0	0
TOTAL	328	21	9	4	1

Source: Construction Industry Research Board, Building Permit Summary.

CONTRA COSTA COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$1,525,515.3	$986,694.1	$832,053.1	$300,088.7	$300,363.3
New Multi-family	106,511.5	157,971.5	94,504.9	132,824.8	34,119.3
Res. Alterations/Additions	293,394.4	307,152.6	290,107.5	229,023.3	170,149.7
Total Residential	1,925,421.2	1,451,818.2	1,216,665.5	661,936.8	504,632.3
New Commercial	87,900.5	101,785.9	148,838.2	108,228.4	49,992.0
New Industrial	21,155.9	14,529.4	17,504.1	60,376.2	11,530.0
New Other	122,625.7	122,628.4	95,442.0	66,511.1	39,878.8
Com. Alterations/Additions	161,187.6	173,556.4	229,530.2	224,816.8	212,900.7
Total Nonresidential	$392,869.7	$412,500.1	$491,314.5	$459,932.5	$314,301.4
New Dwelling Units					
Single Family	5,452	3,310	2,698	985	1,038
Multiple Family	860	1,178	909	909	163
TOTAL	6,312	4,488	3,607	1,894	1,201

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2005 through 2009.

Median Household Effective Buying Income
As of January 1, 2005 through 2009

	2005	2006	2007	2008	2009
City of Hercules	$65,387	$66,935	$70,209	$70,996	$72,425
Contra Costa County	56,979	58,497	61,123	61,903	64,213
California	44,681	46,275	48,203	48,952	49,736
United States	40,529	41,255	41,792	42,303	43,252

Source: The Nielsen Company (US), Inc.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

October 14, 2010

Board of Education
John Swett Unified School District
123 S. John Swett Blvd.
John Swett, CA 90640-4729

OPINION: $8,990,000 John Swett Unified School District
(Contra Costa County, California)
2010 General Obligation Refunding Bonds (Bank Qualified)

Members of the Board of Education:

We have acted as bond counsel to the John Swett Unified School District (the "District") in connection with the issuance by the District of its John Swett Unified School District (Contra Costa County, California) 2010 General Obligation Refunding Bonds in the aggregate principal amount of $8,990,000 (the "Bonds"), under Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law") and under a resolution of the Board of Education of the District adopted on September 8, 2010 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

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

1. The District is duly established and validly existing as a high school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution.

2. The Bond Resolution has been duly adopted by the Board of Education of the District and constitutes the valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Contra Costa is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings, and the Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code"). The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, 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. 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 federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution 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 appropriate cases.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$8,990,000
JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2010 General Obligation Refunding Bonds
(Bank Qualified)

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 $8,990,000 aggregate principal amount of John Swett Unified School District School District (Contra Costa County, California) 2010 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Education of the District on September 8, 2010 (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 have the following meanings:

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means 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.

"*Listed Events*" means any of the events listed in Section 5(a).

"*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.

"*Participating Underwriter*" means 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.

"*Rule*" means 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 provide, not later than nine months after the end of the District's fiscal year (which currently would be April 1), commencing no later than April 1, 2011 with the report for the 2009-10 Fiscal Year, provide 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. 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.

(c) With respect to the 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 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) the District's adopted Budget for the preceding fiscal year;

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

(iii) 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; and

(iv) 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.

(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) 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. 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.

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 hereof, 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 under 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 9. Additional Information. Nothing in this Disclosure Certificate prevents 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 10. Default. If the District fails 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 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating 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: October 14, 2010

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:	$8,990,000 aggregate principal amount of John Swett Unified School District (Contra Costa County, California) 2010 General Obligation Refunding Bonds (Bank Qualified)
Date of Issuance:	October 14, 2010

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the resolution adopted by the Board of Education of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_____________

JOHN SWETT UNIFIED SCHOOL DISTRICT

By: ________________________________
Authorized Officer

APPENDIX F

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 Refunding Bonds, payment of principal, interest and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Refunding 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 Paying Agent 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 Refunding Bonds, (b) Refunding Bonds representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding 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 Appendix. 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, the Bonds will be redeemed on a pro rata basis.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

APPENDIX G

CONTRA COSTA COUNTY INVESTMENT POLICY

CONTRA COSTA COUNTY

INVESTMENT POLICY

JUNE 2010

STANDARDS AND OBJECTIVES

§53600.3.[1] Standard for Governing Bodies or Persons Authorized to Make Investment Decisions for Local Agencies

Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the ***prudent investor standard***. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part to an overall strategy, investments may be acquired as authorized by law.

§53600.5. Trustee's Objectives Regarding Funds

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to ***safeguard the principal*** of the funds under its control. The secondary objective shall be to ***meet the liquidity*** needs of the depositor. The third objective shall be to ***achieve a return*** on the funds under its controls.

[1] Number refers to Government Code number and section.

INSTRUMENTS AUTHORIZED FOR INVESTMENT

§53601. Instruments Authorized for Investment

A. ***Bonds issued by the local agencies***, including bonds payable solely out of the revenues from a revenue-producing property, owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

B. ***United States Treasury notes, bonds, bills or certificates of indebtedness***, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

C. ***Registered state warrants or treasury notes or bonds of this state***, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state.

D. ***Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state***, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency or authority of the local agency.

E. ***Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments***, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

F. ***Bankers acceptances otherwise known as bills of exchange or time drafts*** drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the banker's acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6, commencing with Section 11501, of the Public Utilities Code).

G. ***Commercial paper*** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:
  (A) Is organized and operating in the United States as a general corporation.
  (B) Has total assets in excess of five hundred million dollars ($500,000,000).

(C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria:
(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
(B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635. Following are the concentration limits (Government Code Section 53635, subdivision (a)):

1. Not more than 40 percent of the local agency's money may be invested in eligible commercial paper.
2. Not more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer's commercial paper.

H. ***Negotiable certificates of deposit*** issued by a nationally- or state-chartered bank or a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposits do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

I. Investments in ***repurchase agreements*** or ***reverse repurchase agreements*** of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

1. **"Repurchase agreement"** means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the

securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

a. **"Securities,"** for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity.

b. Investments in repurchase agreements may be made on any investment authorized in this section when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

2. **"Reverse repurchase agreement"** means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

   Reverse repurchase agreements may be utilized only when all of the following conditions are met:

   The security to be sold on reverse repurchase agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale; the total of all reverse repurchase agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio; the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

   Investments in reverse repurchase agreements shall only be made with primary dealers of the Federal Reserve Bank of New York, or with a nationally- or state-chartered bank that has or has had a significant banking relationship with a local agency…"Significant banking relationship" means any of the following activities of a bank:

   a. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, notes, or other evidence of indebtedness.

b. Financing of a local agency's activities.

c. Acceptance of a local agency's securities or funds as deposits.

J. ***Medium-term notes*** of a maximum of five-years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally-recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the agency's money that may be invested pursuant to this section.

K. 1. ***Shares of beneficial interest*** issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and that comply with the investment restrictions of this article and Article 2.

2. ***Shares of beneficial interest*** issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (l5 U.S.C. Sec. 80a-1 et seq.).

3. If investment is in shares issued pursuant to paragraph (2), the company shall have met the following criteria:

a. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

b. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

4. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

L. ***Moneys held by a trustee or fiscal agent*** and pledged to the payment of security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are not specific statutory provision, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

M. ***Notes, bonds, or other obligations that are at all times secured by a valid first-priority security interest*** in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

N. ***Any mortgage pass-through security, collaterialized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond*** of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of **"AA"** or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

O. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n) , inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n) inclusive.
(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

P. Local Agency Investments – LAIF - (All references in this section to the Treasurer and the Controller pertain to the State Treasurer and the State Controller).

§16305.9. (a) All money in the Local Agency Investment Fund shall be held in trust in the custody of the Treasurer.

(b) All money in the Local Agency Investment Fund is nonstate money. That money shall be held in a trust account or accounts. The Controller shall be responsible for maintaining those accounts to record the Treasurer's accountability, and shall maintain a separate account for each trust deposit in the Local Agency Investment Fund.

(c) That money shall be subject to audit by the Department of Finance and to cash count as provided for in Sections 13297,13298, and 13299. It may be withdrawn only upon the order of the depositing entity or its disbursing officers. The system that the Director of Finance has established for the handling, receiving, holding, and disbursing of state agency money shall also be used for the money in the Local Agency Investment Fund.

(d) All money in the Local Agency Investment Fund shall be deposited, invested and reinvested in the same manner and to the same extent as if it were state money in the State Treasury.

§16429.1. Existence and Appropriation of Fund; Investment and Distribution of Deposits

(a) There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

(b) Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(c) Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(d) Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agency engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

(e) The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

(f) The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.

(g) The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the Local Agency Investment Fund.

(h) The Treasurer may refuse to accept deposits into the fund if, in the judgment of the Treasurer, the deposit would adversely affect the state's portfolio.

(i) The Treasurer may invest the money of the fund in securities prescribed in Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2.

(j) Money in the fund shall be invested to achieve the objective of the fund, that is to realize the maximum return consistent with safe and prudent treasury management.

(k) All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.

(l) Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of one-half of one percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies having incurred costs in carrying out the provisions of this section.

(m) The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.

FURTHER RESTRICTIONS/LIMITATIONS BY GOVERNMENT CODE AND COUNTY TREASURER

Further Restrictions Set by Treasurer

A. Reverse repurchase agreements will be used strictly for the purpose of supplementing income with a limit of 10 percent of the total portfolio without prior approval of the Treasurer.

B. Swaps and Trades will each be approved on a per-trade basis by Treasurer or Assistant Treasurer.

C. SBA loans require prior approval of the Treasurer in every transaction.

D. Repurchase Agreements will generally be limited to Wells Fargo Bank, Bank of America or other institutions with whom the County treasury has executed tri-party agreements. Collateral will be held by a third party to the transaction that may include the trust department of particular banks. Collateral will be only securities that comply with Government Code 53601.

E. Securities purchased through brokers will be held in safekeeping at The Bank of New York Trust Company, N.A. or as designated by the specific contract(s) for government securities and tri-party repurchase agreements.

F. Bank C.D.s or non-negotiable C.D.s will be collateralized at 110 percent by government securities or 150 percent by current mortgages. There will be no waiver of the first $100,000 collateral except by special arrangement with the Treasurer.

G. All investments purchased by the Treasurer's Office shall be of investment grade. The minimum credit rating of purchased investments shall be as defined by Government Code 53600 et. seq.

H. All legal securities issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars or snuff or for smoking in pipes or a company that has total revenues of 15 percent or more from the sale of such products. The tobacco-related issuers restricted from any investment are British American Tobacco, Gallaher Group PLC, Imasco Ltd., Lowes Companies, ALTRIA Group, Inc., RJ Reynolds Tobacco Holdings, Inc., Brooke Groupe LTD., UST, Inc. and Universal Corp. However, tobacco-related companies will not be limited to the foregoing list. Additional companies will be prohibited as long as said entities fall within the definition of tobacco-related companies.

I. Financial futures or financial option contracts will each be approved on a per trade basis by the County Treasurer.

J. No more than 10 percent of the local agency's money may be invested in the outstanding commercial paper of any single issuer.

K. No more than 10 percent of the outstanding commercial paper of any single issuer may be purchased by the local agency.

§53601.6. Prohibited Investments by Government Code

A. A local agency shall not invest any funds pursuant to this Article or pursuant to Article 2 (commencing with Section 53630) in ***inverse floaters, range notes or interest-only strips*** that are derived from a pool of mortgages.

B. A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630)in ***any security that could result in zero interest accrual if held to maturity***. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1,et seq.) that are authorized for investment pursuant to subdivision (k) of Section 53601.

§53601. Instruments Authorized for Investments: Maturity

Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, **no investment shall be made in any security**, other than a security underlying a repurchase or reverse repurchase agreement authorized by this section, that at the time of the investment **has a term remaining to maturity in excess of five years**, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

Quality of Investment Instruments, Issuers and Sources

Regular financial review and analysis of issuers and sources of securities such as banks and brokerage firms shall be performed. These will be based on credit-rating services' evaluations, financial documents such as audits, Form 10-Q filings to the Securities and Exchange Commission and other reliable financial information.

SAFEKEEPING AND CUSTODY

§53601. Instruments Authorized for Investment

A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants or managers using the agency's funds, by book entry, physical delivery or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term of remaining maturity at the time of the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section.

In compliance with this section, the securities of Contra Costa County and its agencies shall be in safekeeping at The Bank of New York Trust Company, N. A., a counterparty bank's trust department or as defined in the debt indenture and contract.

AUTHORIZED BROKERS AND DEALERS

Securities for Contra Costa County and its agencies shall be purchased from the following:

- Primary dealers of the Federal Reserve Bank of New York and their subcontracts.
- Banks and financial institutions that sell and buy instruments authorized for investments per Government Code 53600 et. seq. and their subcontracts.
- Issuers of securities authorized by Government Code 53601 et. seq.

Securities shall not be purchased from brokers, brokerages, dealers or securities firms who within any 48-month period following January 1, 1996, made a political contribution to the local treasurer, any member of the governing board of the local agency or any candidate for those offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

LIMITS ON THE RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

Gift Prohibitions

All state and local officials who are listed in Government Code Section 87200, and candidates for those elective offices (except judges), are prohibited from accepting a gift or gifts aggregating more than **as stated in California Government Code §89502(a) and §89503(f)** in a calendar year from a single source.

Beginning on January 1, 1993, the State Fair Political Practices Commission shall adjust the gift limitations in this section on January 1st of each odd-numbered year to reflect changes in the Consumer Price Index rounded to the nearest ten dollars ($10). §89503(f)

Honorarium Prohibition

All state and local officials who are listed in Government Code Section 87200, and candidates for those elective offices (except judges), are prohibited from accepting any honorarium for any speech given, article published or attendance at any public or private conference, convention, meeting, social event, meal or like gathering.

Exceptions

- The gift limit and honorarium prohibitions do not apply to a part-time member of the governing board of a public institution of higher education unless the member is also an elected official.

- For state board and commission members, the gift limit and honorarium prohibition are applicable only if the member would be required to report the receipt of income or gifts from the source on his or her statement of economic interests. The $10 gift limit is applicable only to lobbyists and lobbying firms registered to lobby the board or commission member's agency.

Disqualification

Public officials are, under certain circumstances, required to disqualify themselves from making, participating in, or attempting to influence governmental decisions that will affect any of their financial interests, not just those that they are required to disclose on a statement of economic interests.

Enforcement

The Fair Political Practices Commission may impose penalties for statements of economic interests that are filed late. The fine is $10 per day, beginning the day after the filing deadline, up to a maximum of $100. Late-filing penalties can be reduced or waived under certain circumstances.

In addition, the Fair Political practices Commission may initiate investigations with respect to any suspected violation of the Political Reform Act. Other law enforcement agencies (the Attorney General or District Attorney) may initiate investigations under certain circumstances. If violations are found, the Commission may initiate administrative enforcement proceedings that could result in the imposition of monetary penalties of up to **$5,000** per violation. In lieu of administrative prosecution, a civil action may be brought for negligent or intentional violations by the appropriate civil prosecutor (the Commission, Attorney General or District Attorney) where the measure of damages for most violations is the amount of value not properly reported. Persons who violate the conflict-of-interest disclosure provisions of the Political Reform Act can also be subject to discipline by their agency, including dismissal.

Finally, a knowing or willful violation of any provision of the Political Reform Act is a misdemeanor. Persons convicted of a misdemeanor may be disqualified for four years from the date of the conviction from serving as a lobbyist or running for elective office in addition to other penalties that may be imposed. The Act also provides for numerous civil penalties, including monetary penalties and damages, and injunctive relief from the courts.

FURTHER AMENDMENTS TO THE CONFLICT OF INTEREST CODES
(Per a Contra Costa County Board of Supervisors' Order dated February 6, 1996)

Amend all local Conflict of Interest Codes as follows:

Pursuant to Government Code Sections 87302 and 87306 et. seq., this Board hereby amends every local Conflict of Interest Code previously approved by the Board of Supervisors to add the following:

"All other provisions of this Code notwithstanding, the following provisions hereafter apply:

1. No designated employee shall accept **any** honorarium.

   Subdivisions (b), (c) and (e) of Government Code Section 89502 shall apply to the prohibitions in this Section. This Section shall not limit or prohibit payments, advances or reimbursements for travel and related lodging and subsistence authorized by Government Code Section 89506.

2. No designated employee shall accept any gifts with a total value of more than four hundred twenty dollars ($420) in a calendar year from any single source.

   Subdivision (d) of Government Code Section 89504 shall apply to this Section."

This amendment is necessary to assure that all local codes comply with recent amendments to Government Code Section 89502.

INVESTMENT REPORT

The Treasurer may render a quarterly report "…to the Chief Executive Officer, the Internal Auditor and the legislative body of the local agency…" (Government Code 53646).

The County shall submit copies of its second and fourth quarter reports to the California Debt and Investment Advisory Commission within 60 days after the close of the second and fourth quarters of each calendar year (Government Code 53646(g)).

In addition the County Treasurer will provide "…the County Treasury Oversight Committee with an investment report as required by the Board of Supervisors…" (Government Code 27133 (e)).

The County shall submit copies of its investment policy each calendar year to the California Debt and Investment Advisory Commission. All subsequent policy amendment(s) have to be submitted within 60 days.

PLEDGE REPORT

Any securities that are pledged or loaned for any purpose shall be reported in the Quarterly Investment Report. The transaction detail will be provided, including purpose, beginning and termination dates and all parties to the contract. The security descriptions as to type, name, maturity date, coupon rate, CUSIP and other material information will be included.

REVERSE REPURCHASE AGREEMENTS

All reverse repurchase agreements entered into, whether active or inactive by the end of each quarter, shall be reported in the Treasurer's Quarterly Investment Report.

LOCAL AGENCY INVESTMENTS

To be eligible to receive local agency money, a bank, savings association, federal association, or federally-insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisorial agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. (Government Code 53635)

METHODOLOGY OF CALCULATING AND APPORTIONING TREASURY COSTS

Regular and Routine Investments

- $20 per investment transaction; i.e., $20 at placement and $20 at maturity.
- .00333 of interest income; i.e., $3.33 per $1,000 of interest income.

Charged quarterly by journal entry.

Special Reports and Research

Actual staff time and materials.

Special Bank Transactions

Actual bank fee schedule, staff time and materials.

§53684. Alternative Procedure for Investment of Excess Funds

B. The County Treasurer shall, at *least* quarterly, apportion any interest or other increment derived from the investment of funds pursuant to this section in an amount proportionate to the average daily balance of the amounts deposited by the local agency *and to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.* *****

Prior to distributing that interest or increment, the County Treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and *to the total average daily balance of deposits in the investment pool.*

C. The County Treasurer shall disclose to each local agency that invests funds pursuant to this section the method of accounting used, whether cash, accrual, or other, and shall notify each local agency of any proposed changes in the accounting method at least 30 days prior to the date on which the proposed changes take effect**. ***

***** In Contra Costa County, the Auditor-Controller performs these functions for fiscal control purposes.

NON-MANDATED DEPOSITS AND WITHDRAWALS IN THE TREASURY

Following are the terms and conditions for deposit of funds for investment purposes by entities that are not legally required to deposit their funds in the County Treasury.

- Resolution by the County Board of Supervisors authorizing the acceptance of outside participants by the County Treasury.

- Resolution by the legislative or governing body of the local agency authorizing the investment of funds pursuant to Government Code 53684.

- Treasury investments will be directed transactions.

Withdrawal of funds in the Treasury shall coincide with investment maturities or authorized sale of securities by the legislative or governing body of the local agency. Except for funds in the California State Local Agency Investment Fund, a five-business-days notification may be required when authorized sale of securities is involved. However, the section on evaluation of request for withdrawal of funds for use outside the County treasury pool by both mandated and non-mandated treasury pool participants shall also apply.

WITHDRAWAL OF FUNDS BY MANDATED TREASURY PARTICIPANTS

The withdrawal of mandated deposits in the Treasury will coincide with investment maturities and/or authorized sale of securities by authorized personnel of the local agency. Except for funds in the California State Local Agency Fund, a five-business-days notification may be required when authorized sale of securities is involved. However, the section on evaluation of request for withdrawal of funds for use outside the County treasury pool by both mandated and non-mandated treasury pool participants shall also apply.

Evaluation of Request For Withdrawal of Funds For Use Outside the County Treasury Pool by Both Mandated and Non-Mandated Treasury Pool Participants

Pursuant to Section 27136(a):

"Notwithstanding any other provisions of law, any local agency, public agency, public entity or public official that has funds on deposit in the County treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the County treasury pool shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the County treasury pool."

The County Treasurer shall evaluate each proposed withdrawal and may request up to 30 days in order to assess the effect of the proposed withdrawal on the stability and predictability of the investments in the County treasury and that the interests of the other depositors will not be adversely affected.

APPROVED BROKERS AND ISSUERS

ABN AMRO, Incorporated
American Express Credit Corporation
Associates Corporation of North America
Associates First Capital
Bank of America
Bank of the West
Bankers Trust Company
Barclays Capital, Incorporated
California Arbitrage Management Program
Chase Securities, Incorporated
Chevron Corporation
Chevron Funding
Citibank
Citigroup Funding Inc.
Credit Suisse First Boston
Deere & Company
Donaldson, Lufkin & Jenrette Securities Corporation
Exxon Mobil Corporation and Subsidiaries
First Commercial Bank
General Electric Capital Corporation
General Electric Capital Services
General Electric Company
Gilford Securities, Incorporated
Goldman, Sachs & Company
Government Perspectives
John Deere Capital Corporation
Mechanics Bank
Mellon Bank
Prudential Securities, Incorporated
Public Financial Management, Incorporated
Rauscher Pierce Refsnes, Incorporated
Salomon Smith Barney, Incorporated
Sumitomo Bank of California
Toyota Motors Credit Corporation
UBS Financial Services
Union Bank
US Bancorp
Wells Fargo Bank
Westamerica Bank

Note: The County Treasury will not be limited to the above list. Others will be included as long as all conditions for authorized brokers and dealers set forth in this policy are met. Additionally, deletions and additions are based on the maintenance of required credit quality as rated by Standard and Poor's, Moody's and other recognized rating services and reliable financial sources.

APPROVED PRIMARY GOVERNMENT SECURITIES DEALERS REPORTING TO THE MARKET REPORTS DIVISION OF THE FEDERAL RESERVE BANK OF NEW YORK AS OF APRIL 1, 2010

BNP Paribas Securities Corp.
Banc of America Securities LLC
Barclays Capital Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets, Inc.
Credit Suisse Securities (USA) LLC
Daiwa Capital Markets America Inc.
Deutsche Bank Securities Inc.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
Jefferies & Company, Inc.
J.P. Morgan Securities, Inc.
Mizuho Securities USA Inc.
Morgan Stanley & Co. Incorporated
Nomura Securities Inc.
RBS Securities Inc.
UBS Securities LLC.

GLOSSARY

Agencies A colloquial term for securities issued by the federal agencies.

Bankers Acceptances A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

Basis Point One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 8.25% to 8.50%, the difference is referred to as a 25-basis-point increase.

Blue Sky Laws Common term for state securities law, which vary from state to state. Generally refers to provision related to prohibitions against fraud, dealer and broker regulations and securities registration.

Book Value Refers to value of a held security as carried in the records of an investor. May differ from current market value of the security.

Certificates of Deposit (C/Ds) Certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable.

- **Negotiable Certificates of Deposit** May be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit plus interest earned to the bearer of the certificate at maturity.

- **Non-Negotiable Certificates of Deposit** These certificates are collateralized and are not money market instruments since they cannot be traded in the secondary market. They are issued on a fixed-maturity basis and often pay higher interest rates than are permissible on other savings or time-deposit accounts.

Commercial Paper Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

Coupon Rate The annual rate of interest payable on a security expressed as a percentage of the principal amount.

CUSIP Numbers CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

Inverse Floaters An adjustable interest rate note keyed to various indices such as LIBOR, commercial paper, federal funds, treasuries and derivative structures. The defined interest rate formula is the opposite or inverse of these indices. Interest rates and pay dates may reset daily, weekly, monthly, quarterly, semi-annually or annually.

Liquidity Usually refers to the ability to convert assets (such as investments) into cash.

Mark to Market Valuing the inventory of held securities at its current market value.

Market Value Price at which a security can be traded in the current market.

Maturity The date upon which the principal of a security becomes due and payable to the holder.

Medium-Term Notes (MTNs) Corporate debt obligations continuously offered in a broad range of maturities. MTNs were created to bridge the gap between commercial paper and corporate bonds. The key characteristic of MTNs is that they are issued on a continuous basis.

Money Market Instruments Private and government obligations of one year or less.

Offer The price of a security at which a person is willing to sell.

Par Value The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

Premium The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

Range Notes A security whose rate of return is pegged to an index. The note defines the interest rate minimum or floor and the interest rate maximum or cap. An example of an index may be federal funds. The adjustable rate of interest is determined within the defined range of the funds.

Repurchase Agreement or RP or REPO An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

Settlement Date The date used in price and interest computations, usually the date of delivery.

SLUGS An acronym for State and Local Government Series. SLUGS are special United States Government securities sold by the Secretary of the Treasury to states, municipalities and other local government bodies through individual subscription agreements. The interest rates and maturities of SLUGS are arranged to comply with arbitrage restrictions imposed under Section 103 of the Internal Revenue Code. SLUGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds.

STRIPS US Treasury acronym for "separate trading of registered interest and principal of securities." Certain registered Treasury securities can be divided into separate interest and principal components, which may then be traded as separate entities.

SWAP Generally refers to an exchange of securities, with essentially the same par value, but may vary in coupon rate, type of instrument, name of issuer and number of days to maturity. The purpose of the SWAP may be to enhance yield, to shorten the maturity or any benefit deemed by the contracting parties.

Treasury Securities Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes and bonds:

- **Bills** Short-term obligations that mature in one year or less and are sold at a discount in lieu of paying periodic interest.
- **Notes** Interest-bearing obligations that mature between one year and 10 years.
- **Bonds** Interest-bearing long-term obligations that generally mature in 10 years or more.

Zero-Coupon Security A security that makes no periodic interest payments but instead is sold at a deep discount from its face value.

APPENDIX

THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

Adopted this Resolution on January 20, 2009 by the following vote:

AYES: GIOIA, UILKEMA, PIEPHO, & BONILLA

NOES: NONE

ABSENT: GLOVER

ABSTAIN:

RESOLUTION OF CONTRA COSTA COUNTY
(Account #99-07-000)

Resolution No. 2009/25

AGENCY ADDRESS: 625 Court Street, Room 102
Martinez, CA 94553

AGENCY PHONE NUMBER: 925-957-2850

AUTHORIZING INVESTMENT OF MONIES
IN THE LOCAL AGENCY INVESTMENT FUND

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Supervisors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the CONTRA COSTA COUNTY.

NOW THEREFORE, BE IT RESOLVED, that the Board of Supervisors does hereby authorize the deposit and withdrawal of CONTRA COSTA COUNTY monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following CONTRA COSTA COUNTY officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

William J. Pollacek	Russell V. Watts	Brice E. Bins
(NAME)	(NAME)	(NAME)
Treasurer-Tax Collector	Chief Deputy Treasurer-Tax Collector	Assistant Treasurer
(TITLE)	(TITLE)	(TITLE)
(SIGNATURE)	(SIGNATURE)	(SIGNATURE)

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown

ATTESTED: January 20, 2009
DAVID TWA, Clerk of the Board of Supervisors
And County Administrator

By ______________ Deputy

RESOLUTION NO. 2008/25

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: $

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

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

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

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

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

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

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

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By ________________________________
Authorized Officer

(212) 826-0100