NEW ISSUE -- FULL BOOK-ENTRY

INSURED RATING: Standard & Poor's: "AA+"
UNDERLYING RATING: Standard & Poor's: "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 Series C-1 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. ***Interest on the Series C-2 Bonds is not excluded from gross income for federal income tax purposes.*** *In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.*

$1,824,583.20
JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds
2008 Election, Series C-1

$210,000
JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
Federally Taxable General Obligation Bonds
2008 Election, Series C-2

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

Issuance. The John Swett Unified School District General Obligation Bonds, 2008 Election, Series C-1 in the aggregate principal amount of $1,824,583.20 (the "Series C-1 Bonds"), and Federally Taxable General Obligation Bonds, 2008 Election, Series C-2 in the aggregate principal amount of $210,000 (the "Series C-2 Bonds," and together with the Series C-1 Bonds, the "Bonds"), are being issued by the John Swett Unified School District (the "District") pursuant to a resolution of the Board of Education of the District adopted on August 10, 2011 (the "Bond Resolution"). The Bonds were authorized at an election of the registered voters of the District held on November 4, 2008, which authorized the issuance of $20,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the final series of bonds to be issued under this authorization. See "THE BONDS – Authority for Issuance" and "– Purpose of Issue."

Security. The Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes. 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 Bonds. The District currently has other general obligation bonds outstanding that are similarly secured by tax levies. See "SECURITY FOR THE BONDS."

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity under certain circumstances, as described herein. See "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

Book-Entry Only. The 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 Bonds. See "THE BONDS – Book-Entry-Only System."

Payments. The Bonds are dated the date of delivery set forth above and are being issued as Current Interest Bonds and Capital Appreciation Bonds (as such terms are defined herein). The Current Interest Bonds accrue interest at the annual interest rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2012. The Capital Appreciation Bonds accrete interest on the initial principal amount thereof at the accretion rates set for on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2012. Payments of principal of and interest on (or maturity value of) the Bonds will be paid by U.S. Bank National Association, 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 Bonds.

Bond Insurance. The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

MATURITY SCHEDULE
(see inside front cover)

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

The 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 and Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado, is serving as counsel to the Underwriter. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about September 15, 2011.

STONE & YOUNGBERG

The date of this Official Statement is September 1, 2011.

MATURITY SCHEDULE

JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds
2008 Election, Series C-1

Base CUSIP†: 478048

$1,805,000 Current Interest Series C-1 Bonds

$1,805,000 - 5.500% Term Series C-1 Bonds due August 1, 2028; Yield: 4.630%; Price 106.828%[c]; CUSIP†: 478048 CU3

$19,583.20 Denominational Amount ($140,000 Maturity Value)
Capital Appreciation Series C-1 Bonds

Maturity Date (August 1)	Initial Principal Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP†
2028	$19,583.20	12.000%	6.530%	$140,000	CT6

JOHN SWETT UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
Federally Taxable General Obligation Bonds
2008 Election, Series C-2

$210,000 Current Interest Series C-2 Bonds

Maturity Date (August 1)	Principal Amount	Coupon	Yield	Price	CUSIP†
2013	$210,000	2.000%	2.000%	100.000%	CV1

C = Priced to par call on August 1, 2021.

JOHN SWETT UNIFIED SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
STATE OF CALIFORNIA

DISTRICT BOARD OF EDUCATION

Norma Jean Cole Clerici, *President*
Jerrold "Jerry" Parsons, *Clerk*
Brain Colombo, *Member*
William Concannon, *Member*
James Delgadillo, *Member*

DISTRICT ADMINISTRATION

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

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

Dale Scott & Company Inc.
San Francisco, California

BOND and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

U.S. Bank National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

Insurer's Disclaimer. Assured Guaranty Municipal Corp. ("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" and "APPENDIX G - Specimen Municipal Bond Insurance Policy".

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

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.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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 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 Bonds have not been registered or qualified under the securities laws of any state.

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

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 Bonds.

TABLE OF CONTENTS

$1,824,583.20	**$210,000**
JOHN SWETT UNIFIED SCHOOL DISTRICT	**JOHN SWETT UNIFIED SCHOOL DISTRICT**
(Contra Costa County, California)	**(Contra Costa County, California)**
General Obligation Bonds	**Federally Taxable**
2008 Election, Series C-1	**General Obligation Bonds**
	2008 Election, Series C-2

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale and delivery by the John Swett Unified School District (the "**District**") of the John Swett Unified School District (Contra Costa County, California) General Obligation Bonds, 2008 Election, Series C-1, in the principal amount of $1,824,583.20 (the **"Series C-1 Bonds"**) and Federally Taxable General Obligation Bonds, 2008 Election, Series C-2, in the principal amount of $210,000 (the **"Series C-2 Bonds,"** and together with the Series C-1 Bonds, the **"Bonds"**).

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

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 2010-11 school year was 1,678 students and is expected to be the same in 2011-12. See "APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE JOHN SWETT UNIFIED SCHOOL DISTRICT AND CONTRA COSTA COUNTY."

Sources of Payment for the Bonds

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

Purpose of Issue

The net proceeds of the Bonds will be used to finance school renovation, construction and improvements to the school facilities, including costs of issuance of bonds, as approved by the voters at an election held in the District on November 4, 2008. See "THE BONDS - Purpose of Issue" and "- Authority for Issuance" and "SOURCES AND USES OF FUNDS" herein.

Description of the Bonds

Form of Bonds. The Series C-1 Bonds are being issued as current interest bonds (the **"Current Interest Bonds"**) and capital appreciation bonds (the "**Capital Appreciation Bonds**"). The Series C-2 Bonds are being issued as Current Interest Bonds. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The 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 Bonds. See "THE BONDS – Description of the Bonds," "– Book-Entry Only System" below and "APPENDIX E – DTC AND THE BOOK-ENTRY SYSTEM."

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in "THE BONDS - Optional Redemption" and "- Mandatory Sinking Fund Redemption" herein.

Legal Matters

Issuance of the Bonds is subject to the approving opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (**"Bond Counsel"**), to be delivered in substantially the forms attached hereto as Appendix C. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve also as disclosure counsel to the District (**"Disclosure Counsel"**). Certain legal matters will also be passed upon for Stone & Younberg LLC (the **"Underwriter"**) by its counsel, Kutak Rock LLP, Denver, Colorado (**"Underwriter's Counsel"**). Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon issuance of the Bonds. See "APPENDIX C – FORM OF OPINION OF BOND COUNSEL."

Tax Matters

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, as amended (the **"Code"**), in the opinion of Bond Counsel, interest on the Series C-1 Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Interest on the Series C-2 Bonds is not excluded from gross income for federal income tax purposes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the **"State")** personal income taxes. See "TAX MATTERS" herein.

Authority for Issuance of the Bonds

Issuance of the Bonds was approved by the required 55% of the voters of the District voting at an election held on November 4, 2008 (the **"Bond Election"**) and will be issued pursuant to certain provisions of the Government Code of the State, commencing with Section 53506 thereof (the **"Bond Law"**), and pursuant to a resolution adopted by the Board of Education of the District adopted on August 10, 2011 (the **"Bond Resolution"**). See "THE BONDS - Authority for Issuance" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to the legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about September 15, 2011.

Bond Insurance

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy (the **"Bond Insurance Policy"**) to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (the **"Bond Insurer"**).

Continuing Disclosure

The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in Appendix D hereto. See "CERTAIN LEGAL MATTERS - Continuing Disclosure" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of the Bond Law and the Bond Resolution. The District received authorization at the Bond Election, by a requisite 55% affirmative vote of the qualified electors who voted, to issue general obligation bonds in a principal amount of $20,000,000 (the **"2008 Authorization"**). The Bonds represent the third and final issuance pursuant to the 2008 Authorization.

The District has outstanding other series of general obligation bonds, as follows:

General Obligation Bonds - 2008 Authorization. Pursuant to the 2008 Authorization, 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 through 2034, and were issued as current interest bonds and as capital appreciation bonds.

On July 7, 2011, the District issued $11,963,754.69 aggregate principal amount of John Swett Unified School District (Contra Costa County, California) General Obligation Bonds, 2008 Election, Series B (the **"Series B Bonds"**), which were issued pursuant to the 2008 Authorization, and left $2,035,070.46 principal amount of the 2008 Authorization remaining. The Series B Bonds have a final maturity of August 1, 2026, and were issued as current interest bonds.

Following the issuance of the Bonds, there will be $487.26 of the 2008 Authorization remaining.

Refunding General Obligation Bonds - 2002 Authorization. Pursuant to an election held on March 5, 2002, the District received authorization, by a requisite 55% affirmative vote of the qualified electors who voted, to issue general obligation bonds in a principal amount of $10,000,000 (the **"2002 Authorization"**). On July 11, 2002, the District issued $10,000,000 John Swett Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2002, Series A (the "**2002 Bonds**"). On October 14, 2010, the District issued its 2010 General Obligation Refunding Bonds in the principal amount of $8,990,000 (the **"2010 Refunding Bonds"**) to advance refund the District's 2002 Bonds. The 2010 Refunding Bonds mature on each August 1 through 2026, and were issued as current interest bonds.

See "DEBT SERVICE SCHEDULES" below, and Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Long-Term Debt" for additional information.

Purpose of Issue

The proceeds of bonds issued pursuant to the 2008 Authorization will be used for the purposes specified in the ballot measure approved by the District's voters on November 4, 2008, the short-form of which appeared on the ballot as follows:

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

Security

The Bonds are general obligation bonds of the District payable from *ad valorem* taxes. The Board of Supervisors of the County has the power and 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 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 Bonds are outstanding in an amount sufficient to pay the principal and interest on the Bonds when due. Such taxes, when collected, will be deposited into separate interest and sinking funds for each series of Bonds (each, a "**Debt Service Fund**"), which shall be maintained by the County and are created by statute for the payment of principal of and interest (or maturity value of) on the respective series of Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and will maintain the Debt Service Funds pledged to the repayment of the applicable series of Bonds, the Bonds are not a debt of the County.

The moneys in each Debt Service Fund, to the extent necessary to pay the principal and interest on the applicable series of 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 applicable series of Bonds. DTC will thereupon make payments of principal and interest on (or maturity value of) the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Bonds.

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

Description of the Bonds

The Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The 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 Bonds. See "Book-Entry Only System" below and "APPENDIX E – DTC AND THE BOOK-ENTRY SYSTEM."

Current Interest Bonds. The Current Interest Bonds shall be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. Interest on the Current Interest Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2012 (each, an **"Interest Payment Date"**). Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15^{th}) day of the month preceding the

Interest Payment Date (the **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2012, in which event it will bear interest from the Closing Date identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Current Interest Bond is in default at the time of authentication thereof, such Current Interest Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Current Interest Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Current Interest Bonds.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the date of delivery, and accrete interest from such date, as described below. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value (as defined below) or any integral multiple thereof. The Capital Appreciation Bonds are payable only upon maturity thereof.

The Capital Appreciation Bonds do not bear current interest, but accrete in value in accordance with the respective accretion rates set forth on the inside cover page, compounded semi-annually on each February 1 and August 1, commencing on February 1, 2012, to maturity, from the original principal amounts thereof on the date of delivery thereof to the stated accreted value at maturity thereof (**"Maturity Value"**). See "APPENDIX F –Accreted Value Tables" for the value of the Capital Appreciation Bonds as of each compounding date (the **"Accreted Value"**).

The interest portion of the Maturity Value of any Capital Appreciation Bond which is payable on the date of maturity shall represent interest accrued and coming due on such date. The Maturity Value of any Capital Appreciation Bond at maturity shall be payable by check mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Capital Appreciation Bond at the Office of the Paying Agent.

Paying Agent

U.S. Bank National Association, 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 Bonds and DTC's book-entry method is used for the 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 Bonds called for redemption or of any other action covered by such notice.

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

Optional Redemption

The Capital Appreciation Series C-1 Bonds and the Series C-2 Bonds are not subject to redemption prior to maturity.

The Current Interest Series C-1 Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part by lot within a maturity, from any available source of funds, on August 1, 2021, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

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

Mandatory Sinking Fund Redemption

The Current Interest Series C-1 Bonds maturing on August 1, 2028 (the **"Term Bonds"**), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Current Interest Series C-1 Bonds Maturing August 1, 2028

Redemption Date (August 1)	Sinking Fund Redemption
2027	$945,000
2028 (maturity)	860,000

If some but not all of the Term Bonds have been redeemed pursuant to the optional redemption provisions described above, the aggregate principal amount of Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be reduced on a pro rata basis in integral multiples of $5,000, or on such other basis as designated pursuant to written notice filed by the District with the Paying Agent.

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District. Notice of any redemption of Bonds shall specify the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue or accrete thereon from and after the redemption date.

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 Bonds.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the owner thereof a new Bond or Bonds of and the same maturity and of authorized denominations in aggregate principal amount (or Maturity Value) equal to the unredeemed portion of the Bond or Bonds. 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.

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent have no liability to the Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Defeasance

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the County and the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

"Federal Securities" means (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

Book-Entry Only System

The Bonds will be registered initially in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York (**"DTC"**), which has been appointed as securities depository for the Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Bonds. Principal of and interest on (or maturity value of) the Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "APPENDIX E – DTC and the Book-Entry System."

Registration, Transfer and Exchange of 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 Bonds.

If the book entry system is discontinued, the person in whose name a 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 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 the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in San Francisco, California for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. Any 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 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 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 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 Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

DEBT SERVICE SCHEDULES

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Debt Service Schedule
General Obligation Bonds
2008 Election, Series C-1 and Series C-2

	Current Interest Series C-1 Bonds		**Capital Appreciation Series C-1 Bonds**		**Current Interest Series C-2 Bonds**		
Period Ending (Aug. 1)	Annual Principal Payment	Annual Interest Payment	Annual Principal Payment	Annual Accreted Interest	Annual Principal Payment	Annual Interest Payment	Aggregate Debt Service
2012	-	$87,141.39	-	-	-	$3,686.67	$90,828.06
2013	-	99,275.00	-	-	$210,000	4,200.00	313,475.00
2014	-	99,275.00	-	-	-	-	99,275.00
2015	-	99,275.00	-	-	-	-	99,275.00
2016	-	99,275.00	-	-	-	-	99,275.00
2017	-	99,275.00	-	-	-	-	99,275.00
2018	-	99,275.00	-	-	-	-	99,275.00
2019	-	99,275.00	-	-	-	-	99,275.00
2020	-	99,275.00	-	-	-	-	99,275.00
2021	-	99,275.00	-	-	-	-	99,275.00
2022	-	99,275.00	-	-	-	-	99,275.00
2023	-	99,275.00	-	-	-	-	99,275.00
2024	-	99,275.00	-	-	-	-	99,275.00
2025	-	99,275.00	-	-	-	-	99,275.00
2026	-	99,275.00	-	-	-	-	99,275.00
2027	$945,000.00	99,275.00	-	-	-	-	1,044,275.00
2028	860,000.00	47,300.00	$19,583.20	$120,416.80	-	-	1,047,300.00
TOTAL	$1,805,000.00	$1,623,566.39	$19,583.20	$120,416.80	$210,000.00	$7,886.67	$3,786,453.06

The following table shows the combined annual debt service for the outstanding Series A Bonds, the 2010 Refunding Bonds, the Series B Bonds, and the Bonds.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Annual Debt Service for Outstanding General Obligation Bonds

Period Ending (August 1)	2008 Election Series A Bonds	2010 Refunding Bonds	2008 Election Series B Bonds	Election of 2008 Series C-1 and C-2 Bonds	Total
2012	$312,387.50	$624,500.00	$641,437.69	$90,828.06	$1,669,153.25
2013	320,187.50	727,900.00	442,415.80	313,475.00	1,803,978.30
2014	322,187.50	753,000.00	746,494.25	99,275.00	1,920,956.75
2015	333,750.00	773,400.00	917,943.00	99,275.00	2,124,368.00
2016	349,550.00	797,400.00	1,163,683.00	99,275.00	2,409,908.00
2017	359,750.00	819,800.00	1,206,515.51	99,275.00	2,485,340.51
2018	372,750.00	845,600.00	1,252,879.01	99,275.00	2,570,504.01
2019	384,950.00	869,600.00	1,297,836.49	99,275.00	2,651,661.49
2020	401,350.00	896,800.00	1,289,976.00	99,275.00	2,687,401.00
2021	411,750.00	927,000.00	1,280,387.99	99,275.00	2,718,412.99
2022	426,350.00	953,250.00	1,268,400.01	99,275.00	2,747,275.01
2023	444,593.76	981,500.00	1,248,612.00	99,275.00	2,773,980.76
2024	456,206.26	1,011,500.00	1,228,824.01	99,275.00	2,795,805.27
2025	476,331.26	1,038,000.00	1,209,035.99	99,275.00	2,822,642.25
2026	489,925.00	1,071,000.00	1,189,247.99	99,275.00	2,849,447.99
2027	506,700.00	-	-	1,044,275.00	1,550,975.00
2028	526,900.00	-	-	1,047,300.00	1,574,200.00
2029	544,700.00	-	-	-	544,700.00
2030	565,000.00	-	-	-	565,000.00
2031	580,000.00	-	-	-	580,000.00
2032	605,000.00	-	-	-	605,000.00
2033	625,000.00	-	-	-	625,000.00
2034	645,000.00	-	-	-	645,000.00
TOTAL	$10,460,318.78	$13,090,250.00	$16,383,688.74	$3,786,453.06	$43,720,710.58

SOURCES AND USES OF FUNDS

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

Sources	Series C-1 Bonds	Series C-2 Bonds	Combined Total
Principal Amount	$1,824,583.20	$210,000.00	$2,034,583.20
Original Issue Premium	150,990.60	-	150,990.60
Total Sources	$1,975,573.80	$210,000.00	$2,185,573.80
Uses			
Building Fund	$1,824,583.20	$193,776.89	$2,018,360.09
Debt Service Fund	1,658.95	-	1,658.95
Cost of Issuance(1)	149,331.65	16,223.11	165,554.76
Total Uses	$1,975,573.80	$210,000.00	$2,185,573.80

(1) Costs of Issuance include legal fees, financial advisory fees, printing costs, rating agency fees, bond insurance premium and other miscellaneous costs and expenses of issuing the Bonds which the Underwriter has contracted to pay.

APPLICATION OF PROCEEDS OF BONDS

Building Fund

The proceeds from the sale of the Series C-1 Bonds and the Series C-2 Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the funds created and established in the Bond Resolution and known as the "John Swett Unified School District General Obligation Bond, 2008 Election, Series C-1 Building Fund" and the "John Swett Unified School District General Obligation Bond, 2008 Election, Series C-2 Building Fund" (each, a "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Series C-1 Bonds and the Series C-2 Bonds, respectively, are being issued, and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the applicable Debt Service Fund and applied to the payment of principal of and interest on the applicable series of Bonds. If, after payment in full of the Bonds, there remains excess proceeds in a Building Fund, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in such Building Fund.

Debt Service Fund

The accrued interest and any premium, if any, received by the County from the sale of the Series C-1 Bonds or the Series C-2 Bonds will be deposited in separate funds known as the Series C-1 General Obligation Bonds Debt Service Fund and the Series C-2 General Obligation Bonds Debt Service Fund (each, a **"Debt Service Fund"**) which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the applicable series of Bonds. Interest earnings on the investment of monies held in such Debt Service Fund will be retained in the Debt Service Fund and used by the County to pay the principal of and interest on the applicable series of Bonds when due.

Application and Investment of Bond Proceeds

Under California law, the District is generally required to pay all monies received from any source, including the proceeds of the Bonds, into the Contra Costa County Treasury to be held on behalf of the District. The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Pooled Surplus Investment Fund of the County (the **"County Pool"**). Money on deposit in the Building Funds and the Debt Service Funds will be accounted for separately. It is anticipated that such funds will be invested by the Treasurer in the County Pool.

For further information concerning County investments, access the County's website at www.co.contra-costa.ca.us, under the heading "Treasurer-Tax Collector," and under the division for the "Treasury." The information contained within the website may not be current and has not been reviewed by the District or the Underwriter and is not incorporated in this Official Statement by reference.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District payable solely from certain property tax levies. 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 Bonds. Such taxes are required to be levied annually, in addition to all other taxes, during the period that any Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited into the applicable Debt Service Fund maintained by the County and which is created by statute for the payment of principal of and interest on the applicable series of Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and will maintain the Debt Service Funds pledged to the repayment of such Bonds, the Bonds are not a debt of the County. The moneys in the Debt Service Funds, to the extent necessary to pay the principal of and interest on the applicable series of Bonds as the same become due and payable, will be transferred by the County to the Paying Agent which, in turn, will pay such moneys to DTC to pay the principal of and interest on such Bonds. DTC will thereupon make payments of principal of and interest on such Bonds to the DTC Participants who will thereupon make payments of principal of and interest to the beneficial owners of such Bonds. See "THE BONDS –Book-Entry Only System."

The amount of the annual *ad valorem* tax levied by the County to repay the 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 such series of 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.

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% 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% 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 Tax Collector and 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% 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% 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% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see Appendix A under the heading "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.

According to information received from the County Assessor's Office, property within the District had a net taxable assessed valuation for fiscal year 2011-12 of $2,920,083,092 (before deduction of the redevelopment increment). Shown in the following table are the assessed valuations for the District for the past seven fiscal years.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2005-06 through Fiscal Year 2011-12

Fiscal Year	Locally Secured	Utility	Unsecured	Total	Annual % 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
2011-12	2,481,337,814	1,147,692	437,597,586	2,920,083,092	16.2[1]

(1) Information provided by County Assessor's Office; see discussion of Tosco Property below under the heading "- Largest Property Owners."
Source: California Municipal Statistics, Inc.; County Assessor's Office for fiscal year 2011-12.

The assessed valuation in the District comes largely from non-residential uses, which account for 60.30% of total secured assessed valuation. About 89.06% of parcels in the District are used for residential purposes. The following table summarizes land uses in the District by secured assessed valuation and parcels by land use for the 2010-11 fiscal year.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2010-11

	2010-11 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 in fiscal year 2010-11. The average assessed valuation of single family residential parcels in the District is $195,527 and the median per parcel assessed valuation is $200,166.

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 2006-07 through 2010-11 for a tax rate area within the City of Rodeo portion of the District (Tax Rate Area 64-045) are set forth on the following table.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates - TRA 64-045
Fiscal Years 2006-07 through 2010-11
(Dollars Per $100 of Assessed Valuation)

	2006-07	2007-08	2008-09	2009-10	2010-11
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Bay Area Rapid Transit District	.0050	.0076	.0090	.0057	.0031
East Bay Regional Park District	.0085	.0080	.0100	.0108	.0084
John Swett Unified School District	.0244	.0229	.0247	.0666	.0328
Contra Costa Community College District	.0043	.0108	.0066	.0126	.0133
Total	$1.0422	$1.0493	$1.0503	$1.0957	$1.0576

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 "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix A.

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 appropriate 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. These market-driven appeals are known as Proposition 8 appeals. 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 "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix A.

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.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

	Secured Tax Charge (1)	Amount Delinquent June 30	% Delinquent 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 approximately 59.2% of the secured tax base.

Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Top Twenty Secured Property Taxpayers
Fiscal Year 2010-11

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total[1]
1.	Tosco Corporation[2]	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.
(2) Real property records identify Tosco Corporation as the legal owner, although this property was acquired by Philips Petroleum Co. in September, 2001 through a stock purchase. See discussion below regarding Largest Property Owner.
Source: California Municipal Statistics, Inc.

Largest Property Owner. The largest property owner in the District is currently ConocoPhillips, a publicly owned international, integrated energy company (NYSE: COP). Although real property records identify Tosco Corporation as the largest property owner, the property was acquired by Phillips Petroleum Co. in September 2001 through a stock purchase, and thereafter in August, 2002, Phillips Petroleum Corporation merged with Conoco Inc.

ConocoPhillips is headquartered in Houston, Texas, and operates in more than 30 countries. Core activities are petroleum exploration and production, natural gas gathering, processing and marketing, petroleum refining, marketing, supply and transportation and production of chemicals and plastics.

For fiscal year 2011-12, the County Assessor has estimated that the assessed valuation of property in the District has increased by approximately 16% from the 2010-11 assessed valuation, and has attributed this significant increase to the assessed value of the ConocoPhillips property.

Assessed valuation of properties in California are subject to the limitations of Article XIIIA of the California Constitution, which generally limits property taxes to 1 percent of a property's "full cash value," which is the value shown on the 1975-76 tax bill, or, thereafter, the appraised value when purchased, newly constructed or a change in ownership has occurred, with an annual inflationary adjustment of not to exceed 2 percent. See Appendix A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution." The full cash value of the ConocoPhillips property was last established with respect to the January 1, 2003 lien date due to change in ownership. Due to the use of the property as an oil refinery, with significant construction projects which are on-going, the property is monitored by the County for additional improvements which may result in adjustments to its assessed valuation.

For fiscal year 2010-11, the County reduced the assessed value of the ConocoPhillips property pursuant to Proposition 8. See above under the heading "-Appeals of Assessed Valuation." For fiscal year 2011-12, the County has examined various factors and determined to remove the adjustment made in 2010-11. As a result, the fiscal year 2011-12 assessed value of the ConocoPhillips property is approximately $1.52 billion.

Notwithstanding that ConocoPhillips owns a significant amount of property in the District, the Bonds are secured by *ad valorem* property taxes which the County is obligated to levy against District properties in sufficient amounts to pay debt service on the Bonds. In the event of delinquencies or non-payment, the County currently participates in the Teeter Plan (see "-Teeter Plan" above) and, as a result, the District receives a credit for the amount of *ad valorem* taxes levied by the County for payment of debt service due on the Bonds, notwithstanding delinquencies.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the **"Debt Report")** prepared by California Municipal Statistics, Inc. and dated August 1, 2011. 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.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt Dated as of August 1, 2011

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

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/11	
Bay Area Rapid Transit District	0.538%	$ 2,219,465	
Contra Costa Community College District	1.876	4,276,154	
John Swett Unified School District	100.000	26,119,930	(1)
West Contra Costa Healthcare District Parcel Tax Obligations	9.619	2,082,033	
East Bay Regional Park District	0.834	1,284,277	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$35,981,859	
OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	1.868%	$ 5,970,855	
Contra Costa County Pension Obligations	1.868	7,469,011	
Contra Costa Community College District Certificates of Participation	1.876	17,353	
City of Hercules Certificates of Participation	9.039	1,595,835	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$15,053,054	
Less: Contra Costa County supported obligations		(2,264,952)	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$12,788,102	
GROSS COMBINED TOTAL DEBT		$51,034,913	(2)
NET COMBINED TOTAL DEBT		$48,769,961	

(1) Excludes the 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 ($26,119,930)	1.04%
Total Direct and Overlapping Tax and Assessment Debt	1.43%

Ratios to Adjusted Assessed Valuation:	
Gross Combined Total Debt	2.18%
Net Combined Total Debt	2.08%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Source: California Municipal Statistics, Inc.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (**"AGM"**) will issue its Municipal Bond Insurance Policy for the Bonds (the **"Policy"**). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as an Appendix G 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.

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.

AGM's financial strength is rated "AA+" (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"**). 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. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list 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 August 25, 2011, S&P published *Bond Insurance Rating Methodology and Assumptions*, a criteria article that follows S&P's *Request for Comment: Bond Insurance Criteria*, published January 24, 2011. The criteria described in the article update and supersede S&P's previous criteria for rating bond insurers. S&P noted that the impact of new bond insurance rating criteria could result in financial strength ratings on investment-grade bond insurers (such as AGM) being lowered by one or more rating categories. The article states that the criteria are effective immediately and that S&P expects any rating changes as a result of the new methodology and assumptions would occur after its review of third quarter 2011 financial statements, but no later than November 30, 2011. However, as noted above, a rating agency may place a company's financial strength rating on credit watch for a downgrade at any time. For the complete text of S&P's comments, both publications are available at www.standardandpoors.com.

AGM and its affiliates are currently reviewing S&P's revised bond insurance rating criteria. The final criteria contain a number of changes from the proposals submitted in January 2011 for comment from market participants, including a new Largest Obligors Test that was not included in the January 2011 *Request for Comment*. This test appears to have the effect of significantly reducing AGM and its affiliates' allowed single risk limits and limiting their financial strength rating level.

On August 8, 2011, S&P published a Research Update in which it affirmed the "AA+" financial strength rating of AGM. At the same time, S&P revised the rating outlook on AGM to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On 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 S&P or Moody's 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, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, which was filed by AGL with the SEC on August 9, 2011.

Capitalization of AGM

At June 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,050,613,849 and its total net unearned premium reserve was approximately $2,254,726,646, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document 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, 2010 (which was filed by AGL with the SEC on March 1, 2011);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 (which was filed by AGL with the SEC on August 9, 2011).

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, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 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." 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".

TAX MATTERS

Series C-1 Bonds

Federal Tax Status. In the opinion of Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series C-1 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.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the **"Code"**) that must be satisfied subsequent to the issuance of the Series C-1 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series C-1 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Series C-1 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Series C-1 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series C-1 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series C-1 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series C-1 Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series C-1 Bonds who purchase the Series C-1 Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series C-1 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series C-1 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series C-1 Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Series C-1 Bond (said term being the shorter of the Series C-1 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series C-1 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series C-1 Bond is amortized each year over the term to maturity of the Series C-1 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 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series C-1 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Series C-1 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Owners of the Series C-1 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series C-1 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series C-1 Bonds other than as expressly described above.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel with respect to the Series C-1 Bonds is attached to this Official Statement as Appendix C-1.

Series C-2 Bonds

Federal Tax Status. Interest on the Series C-2 Bonds is <u>not</u> intended to be excluded from gross income for federal income tax purposes.

California Tax Status. In the opinion of Bond Counsel, interest on the Series C-2 Bonds is exempt from personal income taxation imposed by the State of California.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, Bond Counsel informs owners of the Series C-2 Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the

Series C-2 Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

Form of Opinion. The proposed form of opinion of Bond Counsel with respect to the Series C-2 Bonds is attached to this Official Statement as Appendix C-2.

CERTAIN LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently would be by March 31 each year based upon the June 30 end of the District's fiscal year), commencing March 31, 2012, with the report for the 2010-11 Fiscal Year (the **"Annual Report"**), and to provide notices of the occurrence of certain enumerated events. The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (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 D - 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 required notices. The County is not obligated to undertake any continuing disclosure in connection with the Bonds.

Absence of Material Litigation

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

RATINGS

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (**"S&P"**) has assigned its rating of "AA+" to the Bonds, with the understanding that upon delivery of the Bonds, the Bond Insurer will deliver its Policy with respect to the Bonds. Absent the Policy, S&P has assigned an underlying rating of "A+" (negative outlook) to the Bonds. Such ratings reflects 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 its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. For more information regarding the ratings and ratings outlooks of the Bond Insurer, see "BOND INSURANCE" herein.

UNDERWRITING

The Bonds are being purchased by Stone & Youngberg LLC (the **"Underwriter"**). The Underwriter has agreed to purchase the Series C-1 Bonds at a price of $1,826,242.15 (which is equal to the initial principal amount of the Series C-1 Bonds, plus net original issue premium of $150,990.60, less Underwriter's discount of $32,842.50 and less $116,489.15 to be paid by the Underwriter to satisfy its contractual obligation regarding payment of costs of issuance for the Series C-1 Bonds), and to purchase the Series C-2 Bonds at a price of $193,776.89 (which is equal to the initial principal amount of the Series C-2 Bonds, less Underwriter's discount of $3,780.00 and less $12,443.11 to be paid by the Underwriter to satisfy its contractual obligation regarding payment of costs of issuance for the Series C-2 Bonds). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the 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 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

The Underwriter has entered into agreements (the **"Distribution Agreements"**) with Stifel, Nicolaus & Company and First Republic Securities Company LLC, Member FINRA/SIPC, a subsidiary of First Republic Bank, for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Distribution Agreement, if applicable to the Bonds, the Underwriter will share a portion of its underwriting compensation with respect to the Bonds, with Stifel, Nicolaus & Company and First Republic Securities Company LLC.

ADDITIONAL INFORMATION

The reference herein to 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 said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the 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 from upon written request to the District.

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

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE JOHN SWETT UNIFIED SCHOOL DISTRICT AND CONTRA COSTA COUNTY

GENERAL DISTRICT 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 Bonds is payable from the General Fund of the District. The 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 BONDS " and "SECURITY FOR THE 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 2010-11 school year was 1,678 students and is projected to be 1,678 students in 2011-12.

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
Norma Jean Cole Clerici	President	December 2012
Jerrold Parsons	Clerk	December 2012
Brian Colombo	Member	December 2014
William Concannon	Member	December 2014
James Delgadillo	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 to replace the District's previous Chief Financial Officer, who 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 Financial Reporting.”

Recent Enrollment Trends

The following table shows enrollment history for the District for the last six fiscal years, with estimated enrollment figures for 2011-12.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2005-06 through 2011-12

School Year	Enrollment	% Change
2005-06	1,821	---
2006-07	1,779	(2.3)
2007-08	1,745	(1.9)
2008-09	1,710	(2.1)
2009-10	1,670	(1.8)
2010-11	1,678	.5
2011-12 (1)	1,678	0.0

(1) District 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 78.62 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 30.325 of the District’s classified employees. Its contract with the District expires on June 30, 2014.

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”**).

STRS. 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 2009-10 and 2010-11 is 8.25% of annual payroll.

The District’s contribution to STRS for fiscal year 2008-09 was $569,051, for fiscal year 2009-10 it was $506,890, for fiscal year 2010-11 it is estimated to be $435,183, and is budgeted for $446,516 for fiscal year 2011-12.

Due to the economic downturn and lower investment returns, STRS currently has a funding shortfall. Based on current assumptions and projections, to be fully funded in 30 years, STRS contributions will have to increase to fund the current benefit structure. The State Legislature and the Governor will determine when, how much and how quickly contributions will increase. If the under-funded status of STRS continues, the provisions of the pension plan that are not guaranteed, such as a 2% annual benefit adjustment for retired members, could be reduced or eliminated by State legislation.

PERS. 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, which is 10.923% in fiscal year 2011-12. 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, for fiscal year 2009-10 was $169,065, for fiscal year 2010-11 is estimated to be $131,241, and is budgeted for $144,088 for fiscal year 2011-12.

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 2009-10 the District contributed $279,959 (which is 78% of the District's OPEB obligation for 2009-10); the amount estimated for 2010-11 is $331,472.

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
Interest on net OPEB asset	(23,718)
Adjustments to ARC	19,402
Annual OPEB cost	360,387
Contributions made	279,959
Decrease in net OPEB asset	(80,428)
Net OPEB asset- July 1, 2009	306,034
Net OPEB asset- June 30, 2010	$225,606

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 2009-10 Audited Financial Statement attached hereto as Appendix B (see Note 13), 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.

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

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more information on the District’s accounting method, see Note 1 of “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2010” attached hereto.

The Governmental Accounting Standards Board (**“GASB”**) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, 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. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting; (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting; and (iv) required supplementary information.

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, 2010 Audited Financial Statements were prepared by Christy White, A Professional Accountancy Corporation, San Diego, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2010, 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 B hereto for the June 30, 2010 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 2009-10.

JOHN SWETT UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2006-07 through 2009-10 (Audited)

	2006-07 Audited	2007-08 Audited	2008-09 Audited	2009-10 Audited
Revenues				
General Revenues:				
Property taxes	$5,891,892	$6,114,919	$ 6,072,076	$6,129,882
Federal and state aid not restricted to specific purpose	5,275,403	4,709,547	4,588,817	3,470,108
Earnings on investments	310,031	235,142	44,593	9,588
Interagency revenues	--	--	29,400	--
Miscellaneous	254,020	123,531	142,461	204,555
Program Revenues:				
Charges for services	153,657	165,719	165,691	131,214
Operating grants and contributions	3,255,134	3,143,299	3,422,640	3,479,023
Capital grants and contributions	--	--	--	--
Total Revenue	15,140,137	14,492,157	14,465,678	13,424,370
Expenditures				
Instruction	8,681,362	9,519,534	9,862,915	9,938,135
Instruction related services:				
Supervision of instruction	292,093	373,587	298,355	469,171
Library, media and technology	129,230	165,837	119,847	96,121
School site administration	969,081	1,069,433	1,123,458	881,813
Pupil support services:				
Home-to-school transportation	660,187	713,363	749,258	537,128
All other pupil services	418,361	666,781	676,917	521,841
General Administration Services:				
Data processing services	106,990	106,843	134,471	128,746
Other general administration	981,524	981,527	1,033,897	996,867
Plant services	1,432,182	1,526,479	1,525,631	1,369,661
Facility acquisition, construction	--	892	8,021	30,306
Ancillary services	94,232	84,083	83,635	83,078
Debt service: Principal	--	35,566	36,481	--
Debt service: Interest and other	--	14,386	12,575	--
Total Expenditures	13,765,242	15,258,311	15,665,461	15,052,867
Excess (deficit) of revenues over (under) expenses	1,374,895	(766,155)	(1,199,783)	(1,628,497)
Other Financing Sources (Uses):				
Interfund transfers in	70,610	73,936	--	563,678
Interfund transfers out	(72,727)	(98,593)	--	(202,843)
Total Other Sources (Uses)	(2,117)	(24,657)	--	360,835
Net change in fund balance	1,372,778	(790,812)	(1,199,783)	(1,267,662)
Beginning Balance	4,134,445	5,507,223	4,716,411	3,516,628
Ending Balance	$5,507,223	$4,716,411	$3,516,628	$2,248,966

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

The following table shows the District's (i) 2010-11 Budget, as adopted by the Board of Education, for fiscal year 2010-11, compared to estimated actual figures for fiscal year 2010-11 and (ii) the 2011-12 Adopted Budget, as adopted by the Board of Education on June 22, 2011.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Budget and Estimated Actuals For Fiscal Year Ended June 30, 2011;
Adopted Budget for Fiscal Year Ended June 30, 2012

	Original Budget 2010-11[(1)]	Estimated Actuals 2010-11[(1)]	Adopted Budget 2011-12
REVENUES			
Revenue Limit Sources	$8,079,905	$8,763,175	$8,840,878
Federal	1,703,213	2,456,108	1,993,876
Other State	1,716,497	1,808,405	1,701,541
Other Local	823,192	1,039,676	623,711
Total Revenues	12,322,807	14,067,364	13,160,006
EXPENDITURES			
Certificated Salaries	5,327,872	5,419,565	5,626,965
Classified Salaries	1,563,041	1,672,221	1,702,092
Employee Benefits	2,877,768	2,907,174	3,004,288
Books and Supplies	487,180	541,146	481,664
Services, other operating expenses	3,088,948	3,719,399	3,434,288
Capital Outlay	--	--	--
Total Expenditures	13,344,809	14,259,505	14,249,297
Revenues Over (Under) Expenditures	(1,022,002)	(192,141)	(1,089,074)
OTHER FINANCING SOURCES			
Operating Transfers In	110,000	--	--
Operating Transfers Out	--	(1,718)	--
Net Financing Sources (Uses)	110,000	(1,718)	--
Net Change in Fund Balance	(912,002)	(193,859)	(1,089,074)
Fund Balance, July 1 (as restated)	1,764,766	2,248,965	2,055,106
Fund Balance, June 30	$ 852,764	$2,055,106	$ 966,032

(1) The 2010-11 Adopted Budget was conditionally approved by the County Superintendent on September 20, 2010. See below discussion under "-District Budget and Interim Financial 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 Education 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 October 13. 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 following summarizes the filing status of the District's recent interim reports:

Report	Certification
2009-10 First Interim Report	*Qualified*
2009-10 Second Interim Report	*Negative*
2010-11 First Interim Report	*Qualified*
2010-11 Second Interim Report	*Negative*

As a result of the above history of qualified and negative interim certifications, in January 2010, the County Superintendent appointed Dr. Paul Disario of Disario and Associates, as fiscal advisor to the District, to oversee the District's fiscal recovery. Since that time, District management has worked with Dr. Disario in formulating a plan to eliminate the 2010-11 spending deficit and target the required 3% unrestricted general fund reserve.

The below table summarizes proposed budget reductions that the District included in the 2009-10 Third Interim Report:

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 above cuts, which included a 5-day reduction in the work calendar for all employees, together with utilizing flexibility in certain funds under the 2009-10 State Budget, resulted in a projected restoration of a 3 percent reserve 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 would make cuts of $600,000 during fiscal year 2010-11, prior to adoption of the 2011-12 Budget.

The District's 2011-12 Budget was adopted on June 22, 2011 and is expected to be approved by the County Superintendent on September 15, 2011. As a result of the State's 2011-12 Adopted Budget, the District's multi-year projections improved such that it projected an ability to meet its financial obligations for the 2011-12 fiscal year and the 2012-13 fiscal year, and to maintain the minimum State required reserve. The District, through budget cuts and negotiations with its employees, is projected to break even for the fiscal year just ended (2010-11). The District will be required to make additional cuts in fiscal year 2012-13 to maintain fiscal balance as federal stimulus funds are expended and the cost of health benefits rise. Enrollment has stabilized after years of decline and property tax revenue has increased by 16%. The District believes its fiscal outlook has improved significantly since last year.

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.

Long-Term Debt

The District has three issues of general obligation bonds currently outstanding, before the issuance of the Bonds. The District has never defaulted on the payment of principal or interest on any of its indebtedness.

General Obligation Bonds - 2008 Authorization.

Series A Bonds. Pursuant to the 2008 Authorization, 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 through 2034, and were issued as current interest bonds and as capital appreciation bonds.

Series B Bonds. Also pursuant to the 2008 Authorization, on July 7, 2011, the District issued its General Obligation Bonds, 2008 Election, Series B in the aggregate principal amount of $11,963,754.69 (**"Series B Bonds"**). The Series B Bonds were issued as current interest bonds and have a final maturity date of August 1, 2026. The Series B Bonds were sold to the California Qualified School Bond Joint Powers Authority, and secure in part the Authority's 2011 General Obligation Revenue Bonds –Taxable Direct Pay (John Swett Unified School District Qualified School Construction Bonds) which were issued concurrently in the aggregate principal amount of $14,900,000.

Refunding General Obligation Bonds - 2002 Authorization. On October 14, 2010, the District issued its 2010 General Obligation Refunding Bonds in the principal amount of $8,990,000 (the **"2010 Refunding Bonds**") to advance refund the District's General Obligation Bonds, Election of 2002, Series A. The Refunding Bonds mature on each August 1 through 2026, and were issued as current interest bonds.

The following table shows the combined annual debt service for the outstanding Series A Bonds, the Series B Bonds, the 2010 Refunding Bonds and the Bonds.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds

Period Ending (August 1)	2008 Election Series A Bonds Debt Service	2010 Refunding Bonds Debt Service	2008 Election Series B Bonds Debt Service	Series C-1 Bonds and Series C-2 Bonds Debt Service	Aggregate Annual Debt Service
2012	$312,387.50	$624,500.00	$641,437.69	$90,828.06	$1,669,153.25
2013	320,187.50	727,900.00	442,415.80	313,475.00	1,803,978.30
2014	322,187.50	753,000.00	746,494.25	99,275.00	1,920,956.75
2015	333,750.00	773,400.00	917,943.00	99,275.00	2,124,368.00
2016	349,550.00	797,400.00	1,163,683.00	99,275.00	2,409,908.00
2017	359,750.00	819,800.00	1,206,515.51	99,275.00	2,485,340.51
2018	372,750.00	845,600.00	1,252,879.01	99,275.00	2,570,504.01
2019	384,950.00	869,600.00	1,297,836.49	99,275.00	2,651,661.49
2020	401,350.00	896,800.00	1,289,976.00	99,275.00	2,687,401.00
2021	411,750.00	927,000.00	1,280,387.99	99,275.00	2,718,412.99
2022	426,350.00	953,250.00	1,268,400.01	99,275.00	2,747,275.01
2023	444,593.76	981,500.00	1,248,612.00	99,275.00	2,773,980.76
2024	456,206.26	1,011,500.00	1,228,824.01	99,275.00	2,795,805.27
2025	476,331.26	1,038,000.00	1,209,035.99	99,275.00	2,822,642.25
2026	489,925.00	1,071,000.00	1,189,247.99	99,275.00	2,849,447.99
2027	506,700.00	-	-	1.044.275.00	1,550,975.00
2028	526,900.00	-	-	1.047.300.00	1,574,200.00
2029	544,700.00	-	-	-	544,700.00
2030	565,000.00	-	-	-	565,000.00
2031	580,000.00	-	-	-	580,000.00
2032	605,000.00	-	-	-	605,000.00
2033	625,000.00	-	-	-	625,000.00
2034	645,000.00	-	-	-	645,000.00
TOTAL	$10,460,318.78	$13,090,250.00	$16,383,688.74	$3,786,453.06	$43,720,710.58

See also "DEBT SERVICE SCHEDULES" herein.

Capital Leases. The District leases equipment under agreements that provide for title to pass upon expiration of the lease period. The balance on the District's equipment leases, as of June 30, 2010, was $169,719 (present value of minimum lease payments). Future payments under the leases are shown in the following table, as of June 30, 2010. The final payment is due in Fiscal Year 2013-14.

Year Ending June 30	Total Lease Payments
2010-11	$48,056
2011-12	47,556
2012-13	47,112
2013-14	46,612
Total	189,336
Less: Amount Representing Interest	(19,617)
Present Value of Minimum Lease Payments	$169,719

Source: John Swett Unified School District.

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.

A schedule of the District's A.D.A. and revenue limit is set forth below.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2004-05 through 2012-13 (projected)

Fiscal Year	P-2 ADA	Base Revenue Limit per ADA	Funded Base Revenue Limit per A.D.A
2007-08	1,635.42	$5,802.49	$5,802.49
2008-09	1,622.51	6,131.49	5,650.54
2009-10	1,568.61	6,393.49	5,219.96
2010-11 (1)	1,600.74	6,368.49	5,224.52
2011-12 (2)	1,600.74	6,511.49	5,341.83
2012-13 (2)	1,600.74	6,720.49	5,513.29

(1) Estimated.
(2) Projected.
Source: John Swett Unified School District.

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

Revenue Sources

The District categorizes its general fund revenues into four sources:

JOHN SWETT UNIFIED SCHOOL DISTRICT
District Revenue Sources

Revenue Source	Percentage of Total District General Fund Revenues			
	2007-08	2008-09	2009-10	2010-11[1]
Revenue limit sources	66.3%	62.5	61.7%	64.7%
Federal revenues	11.5	17.1	16.5	15.6
Other State revenues	14.4	13.7	14.0	13.6
Other local revenues	7.8	6.6	7.8	6.1

(1) Second Interim Projections for fiscal year 2010-11.
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 local property taxes and 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 Maintenance and Operations, special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Safe and 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 transportation, 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.

For further information concerning County investments, access the County's website at www.co.contra-costa.ca.us, under the heading "Treasurer-Tax Collector," and under the division for the "Treasury." The information contained within the website may not be current and has not been reviewed by the District or the Underwriter and is not incorporated in this Official Statement by reference.

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 PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), 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 percent 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" below), 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 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 majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

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

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

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

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State

Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office 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' one percent 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 are repaid.

State IOUs and Deferrals of Education Funding. As a result of declines in State revenues commencing in fiscal years 2008-09, commencing July 2, 2009, the State Controller began to issue registered warrants (or **"IOUs"**) for certain lower priority State obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of recipients, bore interest. With enactment of an amended budget in late July, 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s. To better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-2009, 2009-2010 and 2010-11. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State. The Department of Finance has projected that multi-billion dollar budget gaps will occur annually for several years in the future.

2010-11 State Budget.

October 8, 2010 – 2010-11 Budget Adopted. The Legislature passed the $87.5 billion 2010-11 Budget on the morning of October 8, 2010 and the Governor signed it that night, exercising his line-item veto authority to reduce spending by $963 million in order to raise the reserve level from $375 million to $1.3 billion. Total expenditure reductions were $8.4 billion. The 2010-11 Budget assumed federal funds of $5.4 billion and other solutions of almost $5.5 billion. These steps were taken to address a $20 billion projected deficit in fiscal year 2010-11.

November 10, 2010 LAO Report. The LAO forecast in its November 10, 2010 report, that the State's General Fund revenues and expenditures showed a budget problem of $25.4 billion, consisting of a $6 billion projected deficit for fiscal year 2010-11 and a $19 billion gap between projected revenues and spending for fiscal year 2011-12. The LAO projected that the State would continue to face annual budget problems of approximately $20 billion each year through fiscal year 2015-16, and recommended that the Legislature initiate a multi-year approach to solving the State's recurring structural budget deficit, addressing permanent revenue and expenditure actions each year, together with temporary budget solutions, until the structural deficit is eliminated.

November 11, 2010 – Governor Calls Special Session. Governor Schwarzenegger called a special legislative session to commence on December 6, 2010, when new lawmakers were sworn into office in order to address the $6 billion projected deficit for fiscal year 2010-11. In November, State voters approved a constitutional initiative to lower the legislative threshold to pass the State budget from two-thirds to a simple majority, however, a two-thirds vote is still required to raise taxes and fees.

2011-12 State Budget. On January 10, 2011, Governor Jerry Brown announced a budget proposal to bridge the State's estimated $28 billion budget deficit. The proposed budget delivered cuts across a wide spectrum of programs, calling for $84.6 billion in general fund spending in fiscal 2012, down from about $92.2 billion in 2010-11. At the same time, the Governor's budget plan proposed asking voters to approve a five-year extension of temporary income, sales and vehicle taxes before they expire at the end of June 2011 in a proposed special statewide election to be held in June, 2011. Governor Brown's proposed budget included cuts to welfare programs, health care programs for the poor and higher education. In addition, the proposal included the elimination of California redevelopment agencies and re-directing property tax revenues from redevelopment to cities, counties and schools. Cuts to K-12 education were not included, unless the tax extensions are not approved at a special June election.

Following the introduction of the 2011-12 Budget, the Legislature passed and the Governor signed budget bills which included $1.7 billion in reductions to services and coverage under Medi-Cal, $1 billion in reductions to CalWORKs (a low income financial and employment assistance program), $1.1 billion in cuts to higher education, $1 billion in cuts to First 5 (an early childhood program), $862 million in cuts to mental health programs, and $192 million in cuts to Supplemental Security Income and State Supplementary Payments for low-income disabled and elderly residents. The Governor was unable to obtain the votes of the California Legislature needed to call a special statewide election in June for voters to consider the tax extensions included in the Governor's proposed 2011-12 Budget. With respect to K-12 school districts, the legislation included increasing the revenue limit deficit factor for school districts to 19.608%, added certain flexibility options regarding deferred maintenance contributions, use of surplus proceeds from the sale of real property, general fund reserve requirements, categorical program funding expenditures, reduction of instructional minutes, Class Size Reduction Program penalties, and the implementation of new State instructional materials, established a zero percent cost of living adjustment for K-12 programmatic funding for fiscal year 2011-12 and authorized three new cross-fiscal year deferrals of State apportionments.

On May 16, 2011, the Governor introduced the May Revise to the 2011-12 Budget to the Legislature (the **"May Revise"**). The May Revise assumed $6.6 billion more in tax revenue through June 2012, reducing the possible deficit to $9.6 billion and providing education funding at a level at least equal to 2010-11 funding, continued to propose the extension of sales and vehicle taxes for five years, but shortened the income tax extension to four years, maintained the plan to eliminate redevelopment agencies, tightened rules for job-creation tax credits in enterprise zones, eliminated 43 boards and commissions and sold numerous "nonessential" properties.

LAO Report. The LAO's May 19, 2011 report on the Governor's May Revision concluded that the Governor's budget estimates in the May Revision were based on reasonable assumptions. However, the LAO noted, school districts, counties and the State face uncertainty as to funding levels in the fiscal year because the Governor's revenue assumptions relied on the extension of temporary increases in personal income tax, sales and use tax and vehicle license fees to be approved by the voters. The LAO deemed the Governor's proposals worthy of legislative consideration, noting that in past budgets the State was unable to make significant inroads into its underlying operating shortfall due to a reliance on one-time and short-term solutions; whereas, this year, an estimated $6.6 billion improvement in state tax collections, and $13 billion in budgetary solutions already adopted by the Legislature, put the State in the position to dramatically reduce its budget problem in coming years.

June 28, 2011 Legislative Action and 2011-12 Budget Adoption. Following the veto by the Governor of a 2011-12 Budget proposed by the Legislature on June 15, 2011, the Legislature passed a second $86 billion general fund State Budget which closes the State's remaining $9.6 billion budget deficit. The 2011-12 Budget was signed by Governor Brown on June 29, 2011.

The Department of Finance released its summary of the 2011-12 Budget (the **"Department of Finance Report"**), from which the following information is extracted.

The 2011-12 Budget seeks to close the $26.6 billion deficit identified in the Governor's May Revise through a combination of measures totaling $27.2 billion. Specifically, the 2011-12 Budget includes $15 billion of expenditure reductions, $900 million of targeted revenue increases, $2.9 billion of other measures and a positive adjustment to the State's revenue outlook totaling $8.3 billion.

The 2011-12 Budget reports that the State economy has continued to improve, with tax collections approximately $1.2 billion above the amounts projected by the May Revise. As a result, the 2011-12 Budget projects an additional $4 billion in revenues during fiscal year 2011-12. Although the 2011-12 Budget does not include any of the Governor's proposed tax extensions, the administration states that it plans to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State's revenues. With the implementation of all measures, the 2011-12 Budget assumes, for fiscal year 2010-11, year-end revenues of $94.8 billion and expenditures of $91.5 billion. The 2011-12 Budget also assumes the State ended fiscal year 2010-11 with a budget deficit of $2 billion. For fiscal year 2011-12, the 2011-12 Budget projects total revenues of $88.5 billion and authorizes total expenditures of $85.9 billion, and a fiscal year 2011-12 end of year $543 million surplus.

The 2011-12 Budget includes a series of “trigger” reductions that are authorized to be implemented in the event the State’s revenues are less than forecasted. The first series of reductions, totaling approximately $600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than $1 billion. If, by January of 2012, revenues are projected to fall short by more than $2 billion, a second series of reductions totaling approximately $1.9 billion would be implemented, of which $1.8 billion relates to K-12 revenue limit funding and home-to-school transportation. As part of the second series of such trigger reductions, the 2011-12 Budget authorizes a reduction of $1.5 billion to school district revenue limit funding, and a corresponding reduction to the State-mandated length of school year by seven days. In the event this reduction is implemented, school districts would be permitted to collectively bargain for a shorter school year or accommodate the revenue limit reduction through other means. Total Proposition 98 funding is decreased in fiscal year 2011-12 to $48.7 billion, including $32.8 billion from the State general fund, which reflects a decrease from the prior year of $1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State’s share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee (discussed below).

The 2011-12 Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of $221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of $578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of $1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee is also rebenched to account for a $1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals $1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. However, ABx1 26 and ABx1 27 are subject to a pending lawsuit filed directly with the California Supreme Court on July 18, 2011, by the California Redevelopment Association and other plaintiffs, challenging both bills on constitutional and other grounds. The California Supreme Court accepted jurisdiction and on August 11, 2011, it issued a partial stay under which it allowed certain provisions of ABx1 26 to remain in effect (specifically, those provisions that preclude redevelopment agencies from incurring new indebtedness, transferring assets, acquiring real property, entering into or modifying contracts, etc.), but stayed enforcement of both bills in all other respects. As a result, the net effect of ABx1 26 and ABx1 27 on the 2011-12 Budget remains uncertain.

The 2011-12 Budget also makes a significant, one-time modification to State budgeting requirements for school districts. School districts will be required to project the same level of revenue per student in 2011-12 as in 2010-11, as well as maintain staffing and program levels commensurate with such level of funding. A related provision of the 2011-12 Budget provides that school districts will only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

The 2011-12 Budget also implements other significant measures with respect to K-12 education funding, as follows:

· *Apportionment Deferral.* An additional deferral of $1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level.

· *Part-Day Preschool.* A decrease of $62.3 million to reflect a reduction of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

· *Charter Schools.* $11 million in supplemental categorical funding to charter schools that began operations between 2008-09 and 2011-12.

· *Clean Technology and Renewable Energy Training.* $3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which is designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction.

· *Child Care and Development.* A decrease of $180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

· *CALTIDES.* A decrease of $2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). Although the CALTIDES program was intended to provide a central State information depository regarding the teaching workforce, the 2011-12 Budget indicates the program is not a critical need.

· *Office of the Secretary of Education.* The 2011-12 Budget projects a budget savings of $1.6 million through the elimination of the Office of the Secretary of Education.

Additional information regarding the 2011-12 Budget is available from the Department of Finance's website: www.dof.ca.gov. However, such information is not incorporated herein by any reference.

<u>Uncertainty Regarding Future State Budgets.</u> 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, 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.

However, the Bonds are secured by ad valorem taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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 "- State Funding of Education and Recent State Budgets" above.

On May 20, 2010, a plaintiff class of numerous current California public school students and several 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. On July 16, 2010, the California Teachers' Association filed a Complaint in Intervention, making the same allegations and seeking the same declaratory and injunctive relief. On January 14, 2011, the court dismissed certain of the causes of action, including causes of action that alleged a constitutional right to a particular level of education funding and violations of equal protection of the law, based on certain State constitutional provisions. As a result, the Court ruled that the plaintiffs and intervenor could file amended complaints, consistent with its order, by March 16, 2011 (parties stipulated to such date). The case is still pending. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in changes 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 Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. The provisions of law discussed below are included in this section to describe the potential effect of Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes. 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 Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with 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 (which provided the authority for the issuance of the Refunded Bonds), 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. 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.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections , and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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 and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (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. Under Proposition 1A, 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 amended 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.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes.

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

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, a lawsuit is pending against the State with respect to the existing system of public school finance. See "DISTRICT FINANCIAL INFORMATION - 2010 Legal Challenge to State Funding of Education."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111 and 22 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.

GENERAL INFORMATION ABOUT CONTRA COSTA COUNTY

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

Population

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 following table lists population figures for the cities in the County for the last five calendar years.

CONTRA COSTA COUNTY
Population Estimates
Calendar Years 2007 through 2011

	2007 (1)	2008 (1)	2009 (1)	2010 (2)	2011 (2)
Antioch	99,334	99,988	101,041	102,230	103,054
Brentwood	48,655	50,580	51,950	51,394	52,029
Clayton	10,726	10,777	10,873	10,893	10,942
Concord	122,896	123,693	124,703	122,009	122,676
Danville	42,439	42,601	43,080	42,002	42,215
El Cerrito	23,077	23,306	23,461	23,538	23,648
Hercules	23,853	24,306	24,499	24,051	24,153
Lafayette	23,830	23,945	24,106	23,872	24,025
Martinez	36,002	36,121	36,378	35,810	35,958
Moraga	16,091	16,127	16,216	16,010	16,076
Oakley	31,742	33,189	34,500	35,329	35,997
Orinda	17,427	17,531	17,687	17,633	17,712
Pinole	19,145	19,259	19,400	18,383	18,460
Pittsburg	62,684	63,351	63,827	63,096	63,730
Pleasant Hill	32,950	33,356	33,576	33,139	33,279
Richmond	103,306	103,895	104,602	103,661	104,220
San Pablo	30,809	31,170	31,834	29,143	28,931
San Ramon	59,488	61,184	63,230	71,947	73,109
Walnut Creek	65,056	65,263	65,915	64,140	64,707
Balance Of County	165,587	168,543	170,447	159,668	161,143
Total County	1,035,097	1,048,185	1,061,325	1,047,948	1,056,064

(1) 2000 Census Benchmark.
(2) 2010 Census Benchmark.
Source: State of California, Department of Finance, as of January 1.

Commercial Activity

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2009 in the City were reported to be $116,921,000, a 9.0% decrease over the total taxable sales of $128,453,000 reported during calendar year 2008. Figures are not yet available for 2010.

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years.

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
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
2009	176	77,614	233	116,921

(1) Not comparable to prior years. "Retail" category now includes "Food Services".
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during calendar year 2009 in the County were reported to be $11,883,049,000, a 10.7% decrease over the total taxable sales of $13,307,681,000 reported during 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. Figures are not yet available for 2010.

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
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
2009	14,045	8,473,578	21,395	11,883,049

(1) Not comparable to prior years. "Retail" category now includes "Food Services".
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The unemployment rate in the Oakland-Fremont-Hayward MD was 10.2% in May 2011, down from a revised 10.4% in April 2011, and below the year-ago estimate of 11.0%. This compares with an unadjusted unemployment rate of 11.4% for California and 8.7% for the nation during the same period. The unemployment rate was 10.2% in Alameda County, and 10.3% in Contra Costa County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

OAKLAND-FREMONT-HAYWARD METROPOLITAN DISTRICT
(COUNTIES OF CONTRA COSTA AND ALAMEDA)
Labor Force, Employment and Unemployment

	2006	2007	2008	2009	2010
Civilian Labor Force (1)	1,257,500	1,272,700	1,287,800	1,288,600	1,277,400
Employment	1,202,500	1,213,000	1,208,500	1,153,000	1,133,200
Unemployment	55,000	59,800	79,200	135,600	144,200
Unemployment Rate	4.4%	4.7%	6.2%	10.5%	11.3%
Wage and Salary Employment: (2)					
Agriculture	1,500	1,500	1,400	1,400	1,500
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	73,300	71,700	64,900	53,500	47,600
Manufacturing	95,800	94,400	93,100	82,800	78,600
Wholesale Trade	48,800	48,700	47,600	43,700	42,100
Retail Trade	113,300	113,300	109,400	102,100	99,900
Transportation, Warehousing, Utilities	35,000	37,300	35,900	33,200	31,900
Information	30,100	29,000	27,800	25,300	23,900
Finance and Insurance	45,400	41,100	36,200	32,500	33,100
Real Estate and Rental and Leasing	18,200	17,000	16,500	15,500	15,300
Professional and Business Services	155,100	158,200	162,400	148,700	148,000
Educational and Health Services	124,800	128,300	133,000	137,200	139,700
Leisure and Hospitality	85,600	88,000	89,100	85,100	85,600
Other Services	35,900	36,200	36,100	34,700	34,600
Federal Government	17,300	17,100	17,100	16,700	15,700
State Government	164,700	166,800	160,100	155,800	151,400
Local Government	45,800	44,500	39,100	39,000	38,000
Total, All Industries (3)	1,046,900	1,049,700	1,031,800	969,400	949,800

(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.
Source: State of California Employment Development Department.

Major Employers

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

CONTRA COSTA COUNTY
Major Employers
(As of January 2011- Listed Alphabetically)

Employer Name	Location	Industry
Bayer Health Care Pharmaceuticals	Richmond	Laboratory- Pharmaceuticals
Bio-Rad Laboratories Inc.	Hercules	Laboratory Analytical Instruments
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
La Raza Market	Richmond	Gorcer- Retail
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)
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)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	$5,195.8	$ 925.1	$ 744.9	$ 188.4	$ 0.0
New Multi-family	0.0	600.0	0.0	0.0	15,000.0
Res. Alterations/Additions	3,831.3	2,245.9	1,545.9	1,678.1	1,060.8
Total Residential	9,027.1	3,771.0	2,290.8	1,866.5	16,060.8
New Commercial	0.0	600.0	1,550.0	0.0	11,500.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	264.4	124.1	103.9	1,140.0	357.3
Com. Alterations/Additions	1,593.8	2,442.1	1,522.8	2,048.0	1,739.0
Total Nonresidential	1,858.2	3,166.3	3,176.7	3,188.0	13,596.3
New Dwelling Units					
Single Family	21	4	4	1	0
Multiple Family	0	5	0	0	96
TOTAL	21	9	4	1	96

Source: Construction Industry Research Board, Building Permit Summary.

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

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	$986,694.1	$832,053.1	$300,088.7	$300,363.3	$237,458.0
New Multi-family	157,971.5	94,504.9	132,824.8	34,119.3	106,555.4
Res. Alterations/Additions	307,152.6	290,107.5	229,023.3	170,149.7	209,044.4
Total Residential	1,451,818.2	1,216,665.5	661,936.8	504,632.3	553,057.8
New Commercial	101,785.9	148,838.2	108,228.4	49,992.0	38,093.5
New Industrial	14,529.4	17,504.1	60,376.2	11,530.0	29,619.4
New Other	122,628.4	95,442.0	66,511.1	39,878.8	47,510.7
Com. Alterations/Additions	173,556.4	229,530.2	224,816.8	212,900.7	170,193.8
Total Nonresidential	$412,500.1	$491,314.5	$459,932.5	$314,301.4	285,417.4
New Dwelling Units					
Single Family	3,310	2,698	985	1,038	809
Multiple Family	1,178	909	909	163	890
TOTAL	4,488	3,607	1,894	1,201	1,699

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 2006 through 2010.

Median Household Effective Buying Income
As of January 1, 2006 through 2010

	2006	2007	2008	2009	2010
City of Hercules	$66,935	$70,209	$70,996	$72,425	$68,285
Contra Costa County	58,497	61,123	61,903	64,213	61,031
California	46,275	48,203	48,952	49,736	47,177
United States	41,255	41,792	42,303	43,252	41,368

Source: The Nielsen Company (US), Inc.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2010

JOHN SWETT
UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2010

christyWHITE A Professional Accountancy Corporation

JOHN SWETT UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2010
Table of Contents

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

Table of Contents

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITOR'S REPORTS

FINDINGS AND QUESTIONED COSTS SECTION

christyWHITE A Professional Accountancy Corporation

Board of Trustees
John Swett Unified School District
Rodeo, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the John Swett Unified School District, as of and for the year ended June 30, 2010, 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, 2010, 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 9, 2010 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.

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The management's discussion and analysis on pages 3 through 11, the budgetary comparison schedule on page 46, and the schedule of funding progress on page 47 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, which consisted 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise John Swett Unified School District's basic financial statements. The schedule of financial trends and analysis and 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*, are presented for purposes of additional analysis and are 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 basic financial statements taken as a whole.

Christy White Accountancy Corporation

San Diego, California
December 9, 2010

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, 2010. The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's transmittal letter, notes to the basic financial statements and the basic government wide financial statements to enhance their understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS

- The comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the John Swett Unified School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund Financial Statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column.
- The major funds for John Swett Unified School District are the General Fund, the Building Fund, the County School Facilities Fund, the Special Reserve Fund for Capital Outlay Projects, and the Bond Interest and Redemption Fund.
- The Management Discussion and Analysis Statement is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Revenues increased by 7% to a total of $19,388,978, and exceeded total expenses of $18,056,634 by $1,332,344.
- General revenues accounted for $11,509,968 or 59% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $7,879,010 or 41% of total revenues of $19,388,978.
- Long-term outstanding debt has increased by $6,129,064 or 63%.

FINANCIAL HIGHLIGHTS (continued)

- ADA in the District decreased by 41.
- The General Fund reported a positive fund balance of $2,248,966; this is a decrease of $1,267,662 or 36%.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Change in Net Assets

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Districts net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component of this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities,* we separate the District activities as follows:

Governmental activities – All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities and the ongoing effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and retiree health benefits held in trust. The District's fiduciary activities are reported in separate *Statement of Net Assets and Liabilities*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $27,045,021 for the fiscal year ended June 30, 2010. Of this amount, unrestricted net assets were $1,597,889. Restricted net assets are reported separately to show legal constraints form debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table A-1) and changes in net assets (Table A-2) of the District's governmental activities.

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

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Current assets	$ 17,214,688	$ 12,067,724	-30%
Noncurrent assets	24,238,475	32,147,133	33%
Total assets	41,453,163	44,214,857	7%
Current liabilities	6,061,786	2,351,908	-61%
Noncurrent liabilities	9,678,700	14,817,928	53%
Total liabilities	15,740,486	17,169,836	9%
Total net assets	$ 25,712,677	$ 27,045,021	5%

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 13. Table A-2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

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

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Revenues:			
Program revenues			
Charges for services	$ 363,522	$ 303,195	-17%
Operating grants and contributions	5,728,991	7,575,815	32%
Capital grants and contributions	202,843	-	-100%
General revenues			
Property taxes	6,837,141	7,770,698	14%
Other revenues	4,963,337	3,739,270	-25%
Total revenues	18,095,834	19,388,978	7%
Expenses:			
Instruction-related	11,796,187	12,695,685	8%
Student support services	1,983,371	1,693,995	-15%
Maintenance and operations	1,891,647	1,699,094	-10%
Administration	1,261,516	1,231,556	-2%
Other expenses	619,072	736,304	19%
Total expenses	17,551,793	18,056,634	3%
Change in net assets	$ 544,041	$ 1,332,344	145%

Governmental Activities

As reported in the Statement of Activities on page 14, the cost of all our governmental activities this year was $18,056,634 (refer to Table A-3). However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $10,177,624, because the cost was paid by those who benefited from the programs ($303,195) or by other governments and organizations who subsidized certain programs with grants and contributions ($7,575,815).

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

	Total Cost of Services	Net Cost of Services
Instructional services	$ 12,695,685	$ 9,773,194
Pupil support services	1,693,995	673,052
Maintenance and operations	1,699,094	(2,028,418)
Administration	1,231,556	1,150,206
Other expenses	736,304	609,590
Total expenses	$ 18,056,634	$ 10,177,624

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, as shown in Table A-4 below, the District had $46,700,683 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents an increase of $9,113,830 from last year.

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

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Land	$ 1,619,089	$ 1,821,227	12%
Site improvements	3,758,326	6,092,977	62%
Buildings	27,435,610	37,075,172	35%
Furniture and equipment	508,158	670,416	32%
Construction in progress	4,265,670	1,040,891	-76%
Total capital assets	$ 37,586,853	$ 46,700,683	24%

Long-Term Debt

At the end of this year, as shown in Table A-5 below, the District has $15,807,764 in long-term debt versus $9,678,700 last year, which is an increase of 63%. Those long-term liabilities consisted of:

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

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Compensated absences	$ 31,801	$ 32,973	4%
Capital leases	208,327	169,719	-19%
General obligation bonds	9,425,000	15,251,530	62%
Other general long-term debt	13,572	353,542	2505%
Total long-term debt	$ 9,678,700	$ 15,807,764	63%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The state's budget situation continues to reflect challenging economic conditions. The 2010 State Budget was balanced on optimistic state and federal revenue projections, the sale of state properties, additional borrowings, and the suspension of the Proposition 98 minimum guarantee. While the state's economy continues to gradually recover along with the nation's, a relatively slow pace of job growth in California presents a headwind for a more rapid rate of economic recovery.

The state's budget challenges have adversely impacted the K-12 education budget. As a result, the average unified school district in the state of California in 2010-11 is expected to lose approximately $25 per unit of average daily attendance over 2009-10 in revenue limit state funding, to an average funded revenue limit of approximately $6,386 per unit of average daily attendance. However, a corresponding decrease in the deficit factor offsets the loss keeping funding levels in 2010-11 the same as 2009-10, and without the $253 per ADA one-time funding reduction experienced in 2009-10.

Federal funding for categorical programs was given another one-time funding boost in 2010-11 with the Education Jobs Act funding. In addition, the final 10% of the State Fiscal Stabilization funds, part of the American Recovery and Reinvestment Act (ARRA), are to be paid in 2010-11. ARRA funds must be spent prior to the September 30, 2011.

State categorical program flexibility continues for 2009-10 and 2010-11 with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed for two more years and school agencies maintain the flexibility to shorten the school year until 2012-13. Reserve requirements for economic uncertainties, if reduced by school agencies, must be fully restored by 2011-12.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

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 2010-11 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, 2010

	Total Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 9,612,816
Investments	526,900
Accounts receivable	1,522,164
Prepaid expenses	405,844
Total current assets	12,067,724
Noncurrent assets:	
Net OPEB asset	225,606
Capital assets:	
Land	1,821,227
Site improvements	6,092,977
Buildings	37,075,172
Furniture and equipment	670,416
Construction in progress	1,040,891
Less accumulated depreciation	(14,779,156)
Total capital assets, net of depreciation	31,921,527
Total noncurrent assets	32,147,133
Total assets	44,214,857
LIABILITIES	
Current liabilities:	
Accounts payable	1,337,503
Deferred revenue	24,569
Capital leases payable, current	39,844
General obligation bonds payable, current	935,000
Other general long-term debt, current	14,992
Total current liabilities	2,351,908
Noncurrent liabilities:	
Compensated absences payable	32,973
Capital leases payable, noncurrent	129,875
General obligation bonds payable, noncurrent	14,316,530
Other general long-term debt, noncurrent	338,550
Total noncurrent liabilities	14,817,928
Total liabilities	17,169,836
NET ASSETS	
Invested in capital assets, net of related debt	18,629,610
Restricted for:	
Capital projects	4,900,194
Debt service	1,255,114
Unrestricted	1,597,889
Total net assets	$ 27,045,021

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, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary government:				
Governmental activities:				
Instructional services:				
Instruction	$ 11,106,061	$ 71,491	$ 2,522,854	$ (8,511,716)
Instruction-related services:				
Supervision of instruction	469,171	2,778	318,270	(148,123)
Instructional library, media and technology	96,121	-	1,941	(94,180)
School site administration	1,024,332	575	4,582	(1,019,175)
Pupil support services:				
Home-to-school transportation	537,123	31,573	207,868	(297,682)
Food services	635,031	171,413	387,324	(76,294)
All other pupil services	521,841	-	222,765	(299,076)
General administration services:				
Data processing services	128,746	389	1,628	(126,729)
Other general administration	1,102,810	422	78,911	(1,023,477)
Plant services	1,699,094	568	3,726,944	2,028,418
Ancillary services	83,078	-	26,728	(56,350)
Community services	24,230	-	-	(24,230)
Other outgo	628,996	23,986	76,000	(529,010)
Total governmental activities	$ 18,056,634	$ 303,195	$ 7,575,815	(10,177,624)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	6,129,882
Property taxes, levied for debt service	1,550,556
Property taxes, levied for other specific purposes	90,260
Federal and state aid not restricted to specific purpose	3,470,108
Interest and investment earnings	26,152
Miscellaneous	243,010
Total general revenues	11,509,968
Change in net assets	1,332,344
Net assets - July 1, 2009	25,712,677
Net assets - June 30, 2010	$ 27,045,021

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

JOHN SWETT UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 829,404	$ 2,384,131	$ 339,660	$ 4,590,832	$ 1,239,014	$ 229,775	$ 9,612,816
Investments	508,014	2,786	-	-	16,100	-	526,900
Accounts receivable	1,497,337	-	-	-	-	24,827	1,522,164
Total assets	$ 2,834,755	$ 2,386,917	$ 339,660	$ 4,590,832	$ 1,255,114	$ 254,602	$ 11,661,880
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 561,220	$ 350,292	$ 115,339	$ 14,488	$ -	$ 26,398	$ 1,067,737
Deferred revenue	24,569	-	-	-	-	-	24,569
Total liabilities	585,789	350,292	115,339	14,488	-	26,398	1,092,306
FUND BALANCES							
Reserved for:							
Revolving cash	4,000	-	-	-	-	-	4,000
Debt service	-	-	-	-	1,255,114	-	1,255,114
Categorical programs	662,214	-	-	-	-	-	662,214
Unreserved; reported in:							
General fund	1,582,752	-	-	-	-	-	1,582,752
Special revenue funds	-	-	-	-	-	128,675	128,675
Capital project funds	-	2,036,625	224,321	4,576,344	-	99,529	6,936,819
Total fund balances	2,248,966	2,036,625	224,321	4,576,344	1,255,114	228,204	10,569,574
Total liabilities and fund balances	$ 2,834,755	$ 2,386,917	$ 339,660	$ 4,590,832	$ 1,255,114	$ 254,602	$ 11,661,880

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, 2010

Total fund balances - governmental funds		$	10,569,574
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 capital assets is $46,700,683 and the accumulated depreciation is 14,779,156.			31,921,527
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:			225,606
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:			(269,766)
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 assets on the government-wide statement of net assets are:			405,844
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:			
Compensated absences payable	$ 32,973		
Capital leases payable	169,719		
General obligation bonds payable	15,251,530		
General obligation bond premium	353,542		(15,807,764)
Total net assets - governmental activities		$	27,045,021

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, 2010

	General Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
General revenues:							
Property taxes	$ 6,129,832	$ -	$ -	$ 90,260	$ 1,550,556	$ -	$ 7,770,698
Federal and state aid not restricted to specific purpose	3,470,108	-	-	-	-	12,688	3,482,796
Interest and investment earnings	9,588	18,729	-	(4,786)	2,130	491	26,152
Miscellaneous	204,555	2,540	-	22,069	-	13,826	243,010
Program revenues:							
Charges for services	131,214	-	-	-	-	171,981	303,195
Operating grants and contributions	3,479,023	-	-	3,706,501	-	377,604	7,563,128
Total revenues	13,424,370	21,269	-	3,814,064	1,552,686	576,590	19,388,979
EXPENDITURES							
Instructional services:							
Instruction	9,938,135	-	-	-	-	-	9,938,135
Instruction-related services:							
Supervision of instruction	469,171	-	-	-	-	-	469,171
Instructional library, media and technology	96,121	-	-	-	-	-	96,121
School site administration	881,818	-	-	-	-	-	881,818
Pupil support services:							
Home-to-school transportation	537,123	-	-	-	-	-	537,123
Food services	-	-	-	-	-	572,187	572,187
All other pupil services	521,841	-	-	-	-	-	521,841
General administration services:							
Data processing services	128,746	-	-	-	-	-	128,746
Other general administration	996,867	-	-	-	-	-	996,867
Plant services	1,369,661	4,484	31	147,616	-	83,824	1,605,616
Facility acquisition and construction	30,306	3,999,279	115,339	4,991,347	-	62,117	9,198,388
Ancillary services	83,078	-	-	-	-	-	83,078
Debt service - principal	-	-	-	-	185,000	38,711	223,711
Debt service - interest	-	-	-	-	542,522	9,845	552,367
Total expenditures	15,052,867	4,003,763	115,370	5,138,963	727,522	766,684	25,805,169
Excess (deficiency) of revenues over (under) expenditures	(1,628,497)	(3,982,494)	(115,370)	(1,324,899)	825,164	(190,094)	(6,416,190)
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	563,678	-	202,843	-	-	-	766,521
Interfund transfers out	(202,843)	-	-	-	-	(563,678)	(766,521)
Proceeds from long-term debt	-	6,019,119	-	-	-	-	6,019,119
Total other financing sources and uses	360,835	6,019,119	202,843	-	-	(563,678)	6,019,119
Net change in fund balances	(1,267,662)	2,036,625	87,473	(1,324,899)	825,164	(753,772)	(397,071)
Fund balances, July 1, 2009	3,516,628	-	136,848	5,901,243	429,950	981,976	10,966,645
Fund balances, June 30, 2010	$ 2,248,966	$ 2,036,625	$ 224,321	$ 4,576,344	$ 1,255,114	$ 228,204	$ 10,569,574

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, 2010

Total net change in fund balances - governmental funds			$	(397,071)
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	$	9,113,830		
Depreciation expense		(1,430,778)		7,683,052
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:				223,608
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:				14,992
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. This year, the difference between OPEB costs and actual employer contributions was:				(80,428)
Debt proceeds: In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:				(6,356,137)
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period was:				336,717
Accreted interest on capital appreciation bonds is recognized as an addition to general obligation bonds until repaid. Additions to accreted interest owing in the current period were:				(10,355)
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:				(80,862)
In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*).				(1,172)
Change in net assets of governmental activities			$	1,332,344

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, 2010

	Agency Funds		
	Payroll Clearing Fund	Student Body Funds	Total
ASSETS			
Cash in county treasury	$ 89,761	$ -	$ 89,761
Cash in banks	-	107,502	107,502
Total assets	$ 89,761	$ 107,502	$ 197,263
LIABILITIES			
Payroll liabilities	$ 89,761	$ -	$ 89,761
Due to student groups	-	107,502	107,502
Total liabilities	$ 89,761	$ 107,502	$ 197,263

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

John Swett Unified School District (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 funds, 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 financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the 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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

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.

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 *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- The *County School Facilities Fund* is used to account for state apportionments provided for modernization of school facilities under SB50.
- The *Special Reserve Fund for Capital Outlay Projects* is used to account for funds set aside for capital outlay projects.
- 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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

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 supplementary information.

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.

2. 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 historical 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."

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 estimated 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 resignations 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. 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 and any premiums or discounts are reported as other financing sources and 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 Pronouncement

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* was issued in February 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is required to be implemented in the 2010-11 fiscal year.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments
Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

	Governmental Funds	Fiduciary Funds
Cash in county treasury	$ 9,608,816	$ 89,761
Cash on hand and in banks	-	107,502
Cash in revolving fund	4,000	-
Total cash and cash equivalents	$ 9,612,816	$ 197,263
Investments	$ 526,900	$ -

Policies and Practices
Governmental agencies in the state of California are 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 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 the applicable agreements rather than the general provisions of the California Government Code.

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 its County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is disclosed in the notes to the 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 recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

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 website. The table below identifies examples 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 $527,766 and an amortized book value of $526,900. The interest rate for the investment is 0.56%.

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 $9,716,805 and an amortized book value of $9,698,577. The average weighted maturity for this pool is 122 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, 2010, the District's bank balance of $111,502 was not exposed to custodial credit risk because the first $250,000 deposited per bank was covered under the FDIC insurance limit.

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, 2010 consist of the following:

	Governmental Funds
Federal	$ 765,805
State categorical	155,979
Other	600,380
Total accounts receivable	$ 1,522,164

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	662,214
Total Reserved	666,214
Undesignated	1,582,752
Total	$ 2,248,966

NOTE 5 – INTERFUND TRANSACTIONS

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

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2009-10 fiscal year are as follows:

	Transfers to Other Funds		
	General Fund	Non-major Governmental Funds	Total
General Fund	$ -	$ 563,878	$ 563,878
County School Facilities Fund	202,843	-	202,843
Total	$ 202,843	$ 563,878	$ 766,721

General Fund transfer to County School Facilities Fund for matching funds for Career Tech Grant	$ 202,843
Deferred Maintenance Fund transfer to General Fund as part of categorical flexibility	563,878
Total	$ 766,721

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010 is shown below:

	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010
Land	$ 1,619,089	$ 202,138	$ -	$ 1,821,227
Site improvements	3,758,326	2,334,651	-	6,092,977
Buildings	27,435,610	9,639,562	-	37,075,172
Furniture and equipment	508,158	162,258	-	670,416
Construction in progress	4,265,670	1,040,891	4,265,670	1,040,891
Total at historical cost	37,586,853	13,379,500	4,265,670	46,700,683
Less accumulated depreciation:				
Site improvements	2,711,713	198,797	-	2,910,510
Buildings	10,307,884	1,157,604	-	11,465,488
Furniture and equipment	328,781	74,377	-	403,158
Total accumulated depreciation	13,348,378	1,430,778	-	14,779,156
Total capital assets, net	$ 24,238,475	$ 11,948,722	$ 4,265,670	$ 31,921,527

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	$ 1,086,326
School site administration	142,514
Food services	62,844
Community services	24,230
All other general administration	105,943
Plant services	8,921
Total depreciation expense	$ 1,430,778

NOTE 7 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
Compensated absences payable	$ 31,801	$ 1,172	$ -	$ 32,973	$ -
Capital leases payable	208,327	-	38,608	169,719	39,844
General obligation bonds payable	9,425,000	5,735,000	185,000	14,975,000	935,000
Accreted interest on capital appreciation bonds	-	276,530	-	276,530	-
Unamortized premiums on long-term debt	13,572	354,962	14,992	353,542	14,992
Total long-term debt	$ 9,678,700	$ 6,367,664	$ 238,600	$ 15,807,764	$ 989,836

A. General Obligation Bonds

The outstanding general obligation bonded debt of the District as of June 30, 2010 is as follows:

Interest Rate	Maturity Date	Amount of Original Issue	Bonds Outstanding June 30, 2009	Issued During Year	Redeemed During Year	Bonds Outstanding June 30, 2010
3.0%-5.5%	August 1, 2026	$ 10,000,000	$ 9,425,000	$ -	$ 185,000	$ 9,240,000
1.0%-4.75%	August 1, 2029	5,735,000	-	5,735,000	-	5,735,000
	Total	$ 15,735,000	$ 9,425,000	$ 5,735,000	$ 185,000	$ 14,975,000

2002 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.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize the 2002 general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
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
2014-2015	335,000	418,293	753,293
2015-2020	2,285,000	1,829,305	4,114,305
2020-2025	3,645,000	1,137,625	4,782,625
2025-2027	1,955,000	163,625	2,118,625
Totals	$ 9,240,000	$ 5,331,519	$ 14,571,519

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. The issue consisted of: a) capital appreciation bonds of $266,175 with stated interest rates ranging from 8.25% to 12.0% and fully maturing from August 1, 2030 through August 1, 2034; and, b) current interest term bonds of $5,735,000 with stated interest rates of 1.0% to 4.75% fully maturing from August 1, 2010 through August 1, 2029. At June 30, 2010, the principal balance outstanding on these bonds was $6,011,530, which includes $276,530 in accreted interest on the capital appreciation bonds.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize the 2009 general obligation bonds payable are as follows:

Fiscal Year	Principal *	Interest	Total
2010-2011	$ 725,000	$ 184,769	$ 909,769
2011-2012	110,000	204,588	314,588
2012-2013	110,000	202,387	312,387
2013-2014	120,000	200,188	320,188
2014-2015	125,000	197,187	322,187
2015-2020	885,000	915,750	1,800,750
2020-2025	1,440,000	700,250	2,140,250
2025-2030	2,220,000	324,556	2,544,556
Totals	$ 5,735,000	$ 2,929,675	$ 8,664,675

* *Amount excludes accreted interest of $276,530 as of June 30, 2010.*

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
2010-11	$ 48,056
2011-12	47,556
2012-13	47,112
2013-14	46,612
Total	189,336
Less Amount Representing Interest	(19,617)
Present Value of Minimum Lease Payments	$ 169,719

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 June 30, 2010	SSICCC June 30, 2009	EBSIG June 30, 2010
Assets	$ 97,277,482	$ 6,518,526	$ 2,300,057
Liabilities	$ 72,699,996	$ 1,008,968	$ 1,647,847
Net assets	$ 24,577,486	$ 5,509,558	$ 652,210
Revenues	$ 41,747,625	$ 15,155,408	$ 4,378,140
Expenses	44,207,706	14,438,881	3,855,448
Operating income	(2,460,081)	716,527	522,692
Non-operating income	2,378,286	100,028	14,953
Change in net assets	$ (81,795)	$ 816,555	$ 537,645

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 would not be material.

B. Construction Commitments
As of June 30, 2010, the District had commitments with respect to unfinished capital projects of approximately $1,208,364.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 9, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year.

NOTE 11– EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in the governmental funds for the fiscal year 2009-10 were as follows:

General Fund	Amount
Employee benefits	$ 20,314

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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California Public Employees' Retirement System (CalPERS)

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 2009-10 was 9.709%. 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
2009-10	$	169,065	100%
2008-09	$	205,113	100%
2007-08	$	164,834	100%

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 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 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution		Percent of Required Contribution
2009-10	$	506,890	100%
2008-09	$	569,051	100%
2007-08	$	557,050	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $262,170 to CalSTRS (4.267% of salaries subject to CalSTRS in 2009-10).

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:

Retirees and beneficiaries receiving benefits	55
Active plan members	131
Total	186
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 2009-10, the District contributed $279,959.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Asset

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 asset:

	Amount
Annual required contribution (ARC)	$ 364,703
Interest on net OPEB asset	(23,718)
Adjustment to ARC	19,402
Annual OPEB cost	360,387
Contributions made	279,959
Decrease in net OPEB asset	(80,428)
Net OPEB asset - July 1, 2009	306,034
Net OPEB asset - June 30, 2010	$ 225,606

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2009-10 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset
2010	$ 360,387	78%	$ 225,606

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2010, the most recent actuarial valuation date, the District had funded $306,034. The actuarial accrued liability (AAL) for benefits was $3.7 million and the unfunded actuarial accrued liability (UAAL) 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, 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:

Valuation Date	7/1/2010
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	29 years
Asset Valuation	Market value basis
Actuarial Assumptions:	
Discount rate	7.75%
Long-term healthcare cost trend rates:	
Medical	5.0%
Dental	4.0%

Required Supplementary Information

JOHN SWETT UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
REVENUES				
Revenue limit sources	$ 8,774,529	$ 8,328,056	$ 8,278,755	$ (49,301)
Federal	1,447,596	2,136,712	2,217,849	81,137
Other state	1,825,256	1,887,738	1,882,780	(4,958)
Other local	651,878	769,261	1,044,986	275,725
Total revenues	12,699,259	13,121,767	13,424,370	302,603
EXPENDITURES				
Certificated salaries	6,435,094	6,459,851	6,352,895	106,956
Classified salaries	2,017,607	2,059,271	2,033,712	25,559
Employee benefits	3,252,638	3,184,223	3,204,537	(20,314)
Books and supplies	471,429	585,978	465,834	120,144
Services and other operating expenditures	2,320,562	3,494,263	2,965,583	528,680
Capital outlay	-	30,500	30,306	194
Total expenditures	14,497,330	15,814,086	15,052,867	761,219
Excess (deficiency) of revenues over (under) expenditures	(1,798,071)	(2,692,319)	(1,628,497)	1,063,822
OTHER FINANCING SOURCES AND USES				
Interfund transfers in	180,000	380,000	563,678	183,678
Interfund transfers out	-	(202,843)	(202,843)	-
Total other financing sources and uses	180,000	177,157	360,835	183,678
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,618,071)	(2,515,162)	(1,267,662)	1,247,500
Fund balances, July 1, 2009	3,516,628	3,516,628	3,516,628	-
Fund balances, June 30, 2010	$ 1,898,557	$ 1,001,466	$ 2,248,966	$ 1,247,500

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
June 30, 2010

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%
7/1/2010	$ 306,034	$ 3,712,766	$ 3,406,732	9%	$ 8,528,561	40%

APPENDIX C-1

FORM OF OPINION OF BOND COUNSEL

September 15, 2011

Board of Education
John Swett Unified School District
400 Parker Avenue
Rodeo, California 94572

OPINION: $1,824,583.20 John Swett Unified School District
(Contra Costa County, California)
General Obligation Bonds, 2008 Election, Series C-1

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 Board of Education of the District (the "Board") of the $1,824,583.20 principal amount of John Swett Unified School District (Contra Costa County, California) General Obligation Bonds, 2008 Election, Series C-1 (the "Bonds") under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board adopted on August 10, 2011 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we 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 other certifications furnished to us, without undertaking to verify such facts by independent investigation.

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

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds on its behalf and to perform its obligations under the Bond Resolution and the Bonds.

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

3. The Bonds have been duly authorized, executed and issued by the District and are valid and binding general obligations of the District, and the Board of Supervisors of Contra Costa County is obligated under the laws of the State of California to cause to be levied an *ad valorem* tax without limit as to rate or amount upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

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, 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. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Tax Code which 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 in the documents relating to the Bonds to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. 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 delivery 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 Bond 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 C-2

FORM OF OPINION OF BOND COUNSEL

September 15, 2011

Board of Education
John Swett Unified School District
400 Parker Avenue
Rodeo, California 94572

OPINION: $210,000 John Swett Unified School District
(Contra Costa County, California)
Federally Taxable General Obligation Bonds, 2008 Election, Series C-2

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 Board of Education of the District (the "Board") of the $210,000 principal amount of John Swett Unified School District (Contra Costa County, California) General Obligation Bonds, 2008 Election, Series C-2 (the "Bonds") under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board adopted on August 10, 2011 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District 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 school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board 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 authorized, executed and delivered by the District and are valid and binding general obligations of the District, and the County of Contra Costa is obligated under the laws of the State of California 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. 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 Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX D

FORM OF 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 $1,824,583.20 aggregate principal amount of John Swett Unified School District School District (County of Contra Costa, California) General Obligation Bonds, 2008 Election, Series C-1 and $210,000 aggregate principal amount of John Swett Unified School District School District (County of Contra Costa, California) Federally Taxable General Obligation Bonds, 2008 Election, Series C-2 (together, the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Education of the District on August 10, 2011 (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 April 1 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, 2012 with the report for the 2010-11 Fiscal Year, provide to the Participating Underwriter and to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure

Certificate. 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. <u>Content of Annual Reports</u>. 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 roll;

(iii) Property tax collection delinquencies for the District, for the most recently completed fiscal year, it the District is no longer a participant in the County's Teeter Plan;

(iv) Top ten property owners in the jurisdiction of the District for the 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) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

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

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive

agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, 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, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. 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: September 15, 2011

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:	$1,824,583.20 aggregate principal amount of John Swett Unified School District (County of Contra Costa, California) General Obligation Bonds, 2008 Election, Series C-1 and $210,000 aggregate principal amount of John Swett Unified School District (County of Contra Costa, California) Federally Taxable General Obligation Bonds, 2008 Election, Series C-2
Date of Issuance:	September 15, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 15 of 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 E

DTC AND THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 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 Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 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 Bond 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"). On August 8, 2011, Standard & Poor's downgraded its rating of DTC to AA+ from 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 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Bond 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, Bonds 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 F

ACCRETED VALUE TABLES

ACCRETED VALUES

John Swett Unified School District
General Obligation Bonds
2008 Election, Series C-1

Maturity Date:	8/1/2028
Accretion Rate:	12.000%
9/15/2011	699.40
2/1/2012	730.90
8/1/2012	774.75
2/1/2013	821.25
8/1/2013	870.55
2/1/2014	922.75
8/1/2014	978.15
2/1/2015	1,036.80
8/1/2015	1,099.05
2/1/2016	1,164.95
8/1/2016	1,234.85
2/1/2017	1,308.95
8/1/2017	1,387.50
2/1/2018	1,470.75
8/1/2018	1,559.00
2/1/2019	1,652.55
8/1/2019	1,751.70
2/1/2020	1,856.80
8/1/2020	1,968.20
2/1/2021	2,086.30
8/1/2021	2,211.50
2/1/2022	2,344.15
8/1/2022	2,484.80
2/1/2023	2,633.90
8/1/2023	2,791.95
2/1/2024	2,959.45
8/1/2024	3,137.05
2/1/2025	3,325.25
8/1/2025	3,524.80
2/1/2026	3,736.25
8/1/2026	3,960.45
2/1/2027	4,198.05
8/1/2027	4,449.95
2/1/2028	4,716.95
8/1/2028	5,000.00

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: □ in aggregate principal amount of Effective Date:

Premium: □

ASSURED GUARANTY MUNICIPAL CORP. ("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. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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