NEW ISSUE — BOOK-ENTRY ONLY

Ratings: S&P (Insured Bonds): "AA"
S&P (underlying): "A+"
(See "MISCELLANEOUS — Ratings" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 Bonds. See "TAX MATTERS" herein.

$10,535,000
CASTAIC UNION SCHOOL DISTRICT
General Obligation Bonds, Election of 2012, Series 2013 (County of Los Angeles, California)

Dated: Date of Delivery **Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Castaic Union School District General Obligation Bonds, Election of 2012, Series 2013 (the "Series 2013 Bonds") are issued by the Castaic Union School District (the "District"), located in the county of Los Angeles, California (the "County"), to finance certain school facilities projects as further described herein. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2013 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS" herein.

The Series 2013 Bonds shall be issued in principal amounts of $5,000 or any integral multiple thereof as shown on the inside front cover hereof. Interest on the Series 2013 Bonds is payable on August 1, 2013, and thereafter on each February 1 and August 1 to maturity. Principal of the Series 2013 Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2013 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 The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2013 Bonds. Individual purchases of the Series 2013 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2013 Bonds purchased by them. See "THE SERIES 2013 BONDS – Form and Registration" herein. Payments of principal of and interest on the Series 2013 Bonds will be made by U.S. Bank National Association, as agent for the Treasurer and Tax Collector of the County, the paying agent, registrar and transfer agent with respect to the Series 2013 Bonds, to DTC, for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2013 Bonds. See "THE SERIES 2013 BONDS – Payment of Principal and Interest" herein.

The scheduled payment of principal of and interest on the Series 2013 Bonds (except the Series 2013 Bonds maturing on August 1, 2014) with the CUSIP numbers indicated on the inside front cover hereof (collectively, the "Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by BUILD AMERICA MUTUAL INSURANCE COMPANY.

BAM
BUILD AMERICA MUTUAL

The Series 2013 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2013 BONDS – Redemption" herein.

MATURITY SCHEDULE – See Inside Front Cover

The Series 2013 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by Lozano Smith, Los Angeles, California, as counsel to the District, and by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District; and for the Underwriter by Nossaman, LLP, Irvine, California. It is anticipated that the Series 2013 Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about April 16, 2013.

PiperJaffray®

The date of this Official Statement is April 2, 2013.

MATURITY SCHEDULE
BASE CUSIP[1]: 148371

$10,535,000
CASTAIC UNION SCHOOL DISTRICT
General Obligation Bonds,
Election of 2012, Series 2013
(County of Los Angeles, California)

$1,700,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[1]
2014	$330,000	2.000%	0.600%	BK2
2019*	35,000	5.000	2.020	BL0
2020*	55,000	5.000	2.260	BM8
2021*	75,000	2.250	2.530	BN6
2022*	95,000	2.500	2.790	BP1
2023*	120,000	2.750	3.020	BQ9
2024*	140,000	3.000	3.200	BR7
2025*	170,000	3.125	3.360	BS5
2026*	195,000	3.250	3.500	BT3
2027*	225,000	3.375	3.640	BU0
2028*	260,000	3.500	3.730	BV8

$1,870,000 4.000% Term Bonds due August 1, 2033* − Yield 4.030% – CUSIP Number[1] BW6

$1,700,000 4.000% Term Bonds due August 1, 2038* − Yield 4.130% – CUSIP Number[1] BZ9

$1,500,000 5.000% Term Bonds due August 1, 2038* − Yield 3.740%[C] – CUSIP Number[1] BX4

$3,765,000 4.000% Term Bonds due August 1, 2042* − Yield 4.170% – CUSIP Number[1] BY2

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[1] Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

* Insured by Build America Mutual Assurance Company.

[C] Yield priced to call at par on August 1, 2023.

CASTAIC UNION SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)

BOARD OF TRUSTEES

DISTRICT ADMINISTRATORS

James M. Gibson, *Superintendent*
Mark Evans, *Director of Fiscal Services*
Jaime Garcia, *Director of Facilities*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

District Counsel

Lozano Smith
Los Angeles, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Paying Agent, Authentication Agent, Transfer Agent and Bond Registrar

U.S. Bank National Association, as agent for
the Treasurer and Tax Collector
of the County of Los Angeles
Los Angeles, California

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This Official Statement does not constitute an offering of any security other than the original offering of the Series 2013 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2013 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2013 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 Series 2013 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriter has provided the following sentence 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.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series 2013 Bonds or the advisability of investing in the Series 2013 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or an information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and APPENDIX H – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2013 Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2013 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2013 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

$10,535,000
CASTAIC UNION SCHOOL DISTRICT
General Obligation Bonds,
Election of 2012, Series 2013
(County of Los Angeles, California)

INTRODUCTION

General

This Official Statement, which includes the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the sale of $10,535,000 aggregate principal amount of Castaic Union School District General Obligation Bonds, Election of 2012, Series 2013 (the "Series 2013 Bonds"), to be offered by the Castaic Union School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2013 Bonds. Quotations from and summaries and explanations of the Series 2013 Bonds and the resolution of the Board of Trustees of the District providing for the issuance and payment of the Series 2013 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2013 Bonds.

Copies of documents referred to herein and information concerning the Series 2013 Bonds are available from the District by contacting: Castaic Union School District, 28131 Livingston Avenue, Valencia, California 91355, Attention: Director of Fiscal Services. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was established as an elementary school district organized under the laws of the State of California (the "State"). The District was formed in 1884 and encompasses an area of approximately 150 square miles in the Santa Clarita Valley in Los Angeles County (the "County"). The District currently operates five preschools, three elementary schools and one middle school. Total enrollment for the 2012-13 school year is approximately 2,861 students.

The District is governed by a Board of Trustees consisting of five members, each of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day operations are managed by a board-appointed Superintendent of Schools. James M. Gibson has served as Superintendent of Schools since 2006.

For additional information about the District, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

Municipal Bond Insurance

Concurrently with the issuance of the Series 2013 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2013 Bonds (except the Series 2013 Bonds maturing on August 1, 2014) with the CUSIP numbers as indicated on the inside front cover hereof (collectively, the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement. See "BOND INSURANCE."

THE SERIES 2013 BONDS

Authority for Issuance; Purpose

The Series 2013 Bonds are issued under the provisions of the California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution. The Series 2013 Bonds are authorized to be issued pursuant to a resolution adopted by the Board of Trustees of the District on February 21, 2013 (the "Resolution"). Capitalized undefined terms have the meanings ascribed thereto in the Resolution.

At an election held on November 6, 2012, the District received authorization (the "2012 Authorization") under Measure QS to issue bonds of the District in an aggregate principal amount not to exceed $51,000,000 to provide modern and efficient elementary and middle school facilities, build up-to-date science labs/classrooms/facilities, provide modern computers/technology/equipment, replace inefficient and outdated heating ventilation systems and update fire alarm/safety systems (the "Authorized Projects"). Measure QS required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 64.62%. The Series 2013 Bonds represent the first series of bonds to be issued under the 2012 Authorization and are being issued to finance Authorized Projects. See "– Application and Investment of Series 2013 Bond Proceeds" herein.

Form and Registration

The Series 2013 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series 2013 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2013 Bonds. Purchases of Series 2013 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2013 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2013 Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Series 2013 Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year, commencing on August 1, 2013 (each, an "Interest Payment Date"), computed on the basis of a

360-day year of twelve 30-day months. Each Series 2013 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2013 Bond, interest is in default on any outstanding Series 2013 Bonds, such Series 2013 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series 2013 Bonds.

The principal of the Series 2013 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the paying agent at the maturity thereof or upon redemption prior to maturity.

Interest on the Series 2013 Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the paying agent or at such address as the Owner may have filed with the paying agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Series 2013 Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2013 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption of Series 2013 Bonds. The Series 2013 Bonds maturing on or before August 1, 2023, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2013 Bonds maturing on or after August 1, 2024, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2023, at a redemption price equal to the principal amount of the Series 2013 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of Series 2013 Bonds. The $1,870,000 Series 2013 Bonds maturing on August 1, 2033, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2029	$295,000
2030	330,000
2031	370,000
2032	415,000
2033†	460,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such Series 2013 Bonds maturing on August 1, 2033 optionally redeemed prior to the mandatory sinking fund redemption date.

The $1,700,000 Series 2013 Bonds maturing on August 1, 2038, bearing interest at 4.000%, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2034	$280,000
2035	310,000
2036	340,000
2037	370,000
2038†	400,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such Series 2013 Bonds maturing on August 1, 2038, bearing interest at 4.000%, optionally redeemed prior to the mandatory sinking fund redemption date.

The $1,500,000 Series 2013 Bonds maturing on August 1, 2038, bearing interest at 5.000%, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2034	$245,000
2035	270,000
2036	295,000
2037	330,000
2038†	360,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such Series 2013 Bonds maturing on August 1, 2038, bearing interest at 5.000%, optionally redeemed prior to the mandatory sinking fund redemption date.

The $3,765,000 Series 2013 Bonds maturing on August 1, 2042, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2039	$830,000
2040	900,000
2041	975,000
2042†	1,060,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such Series 2013 Bonds maturing on August 1, 2042 optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2013 Bonds for Redemption. If less than all of the Series 2013 Bonds are called for redemption, the Series 2013 Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2013 Bonds of any one maturity are designated for redemption, the paying agent shall select the outstanding Series 2013 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the paying agent. For purposes of such selection, each Series 2013 Bond will be deemed to consist of individual Series 2013 Bonds of denominations of $5,000 principal amount each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2013 Bond will be mailed by the paying agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2013 Bonds and the date of issue of the Series 2013 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the Series 2013 Bonds and the dates of maturity or maturities of Series 2013 Bonds to be redeemed; (vi) if less than all of the Series 2013 Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2013 Bonds of each maturity to be redeemed; (vii) in the case of Series 2013 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2013 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2013 Bonds to be redeemed; (ix) a statement that such Series 2013 Bonds must be surrendered by the Owners at the principal corporate trust office of the paying agent, or at such other place or places designated by the paying agent; (x) notice that further interest on such Series 2013 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure of the Owners of any Series 2013 Bond or by any securities depository or information service to receive notice of redemption, nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of such Series 2013 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2013 Bonds called for redemption is set aside, the Series 2013 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2013 Bonds at the place specified in the notice of redemption, such Series 2013 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2013 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2013 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2013 Bonds redeemed shall be cancelled forthwith by the paying agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2013 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2013 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2013 Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Defeasance of Series 2013 Bonds

The District may pay and discharge any or all of any series of the Series 2013 Bonds by depositing in trust with the paying agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2013 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the paying agent in trust for the payment of the principal of, redemption premium, if any, or interest on any series of the Series 2013 Bonds and remaining unclaimed for one year after the principal of all of such Series 2013 Bonds has become due and payable (whether by maturity or upon prior redemption) will be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2013 Bond Proceeds

A portion of the proceeds from the sale of the Series 2013 Bonds, to the extent of the principal amount thereof, will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Series 2013 Bonds were authorized. The remaining proceeds from the sale of the Series 2013 Bonds received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury, or applied to the payment of certain costs of issuance of the Series 2013 Bonds. Interest and earnings on each fund will accrue to that fund. See "–Estimated Sources and Uses of Funds" below.

All funds held by the County Treasurer and Tax Collector (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested on behalf of the District by the County Treasurer at the County Treasurer's discretion in such investments as are authorized by Section 53601 and following of the California Government Code, consistent with the investment policy of the County. See APPENDIX E − "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS." The District may direct that certain investments in the Building Fund be deposited with a state or national bank or trust company located within the State or with the Federal Reserve Bank of San Francisco or any branch thereof within the State, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System in accordance with Sections 41015 and 41016 of the California Education Code.

Estimated Sources and Uses of Funds

The proceeds of the Series 2013 Bonds are expected to be applied as follows:

Sources of Funds:	
Principal Amount of Series 2013 Bonds	$10,535,000.00
Plus Net Original Issue Premium	25.35
Total Sources of Funds	$10,535,025.35
Uses of Funds:	
Deposit to Building Fund[1]	$10,135,015.36
Deposit to Interest and Sinking Fund[2]	122,352.17
Deposit to Costs of Issuance Account[1]	210,700.00
Bond Insurance Premium[1]	66,957.82
Total Uses of Funds	$10,535,025.35

(1) The District will pay certain costs of issuance of the Series 2013 Bonds, in an amount not to exceed $210,700.00, from a costs of issuance account held by U.S. Bank National Association. Piper Jaffray, on behalf of the District, will wire the amount of $66,957.82 to BAM to pay the premium for the Policy. The District will pay any remaining costs of issuance of the Series 2013 Bonds, estimated to be in the amount of $118,683.83, from the Building Fund. Costs of issuance of the Series 2013 Bonds include bond counsel fees, disclosure counsel fees, District counsel fees, underwriter's fees, financial advisory fees, rating agency fees, bond insurance premium, printing fees and other miscellaneous expenses.

(2) Includes the portion of the proceeds of the Series 2013 Bonds representing premium to the District.

Debt Service

Debt service on the Series 2013 Bonds, assuming no early redemptions, is as shown in the following table.

CASTAIC UNION SCHOOL DISTRICT
General Obligation Bonds, Election of 2012, Series 2013

Period Ending August 1	Principal	Interest	Total Debt Service
2013	$ -	$ 122,326.82	$ 122,326.82
2014	330,000.00	419,406.26	749,406.26
2015	-	412,806.26	412,806.26
2016	-	412,806.26	412,806.26
2017	-	412,806.26	412,806.26
2018	-	412,806.26	412,806.26
2019	35,000.00	412,806.26	447,806.26
2020	55,000.00	411,056.26	466,056.26
2021	75,000.00	408,306.26	483,306.26
2022	95,000.00	406,618.76	501,618.76
2023	120,000.00	404,243.76	524,243.76
2024	140,000.00	400,943.76	540,943.76
2025	170,000.00	396,743.76	566,743.76
2026	195,000.00	391,431.26	586,431.26
2027	225,000.00	385,093.76	610,093.76
2028	260,000.00	377,500.00	637,500.00
2029	295,000.00	368,400.00	663,400.00
2030	330,000.00	356,600.00	686,600.00
2031	370,000.00	343,400.00	713,400.00
2032	415,000.00	328,600.00	743,600.00
2033	460,000.00	312,000.00	772,000.00
2034	525,000.00	293,600.00	818,600.00
2035	580,000.00	270,150.00	850,150.00
2036	635,000.00	244,250.00	879,250.00
2037	700,000.00	215,900.00	915,900.00
2038	760,000.00	184,600.00	944,600.00
2039	830,000.00	150,600.00	980,600.00
2040	900,000.00	117,400.00	1,017,400.00
2041	975,000.00	81,400.00	1,056,400.00
2042	1,060,000.00	42,400.00	1,102,400.00
Total	$10,535,000.00	$9,497,001.96	$20,032,001.96

Outstanding Bonds

In addition to the Series 2013 Bonds, the District has two additional outstanding series of bonds which are secured by *ad valorem* taxes levied upon all property subject to taxation by the District. The District received authorization at an election held on March 2, 1993, to issue bonds of the District in an aggregate principal amount not to exceed $20,115,000 (the "1993 Authorization"). On July 13, 1993, the District issued $14,071,424.70 aggregate initial principal amount of its 1993 General Obligation Bonds, Series A (the "1993 Series A Bonds"), for the purpose of acquiring a middle school site and constructing a new middle school. On March 1, 1995, the District issued $6,039,715.75 aggregate initial principal amount of its General Obligation Bonds, 1993 Election, Series B (the "1993 Series B Bonds") for the construction of a middle school.

Aggregate Debt Service

Debt service on all of the District's outstanding general obligation bonds, including the Series 2013 Bonds, assuming no early redemption, is as shown in the following table.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds − Aggregate Debt Service

Year Ending June 30	1993 Series A Bonds	1993 Series B Bonds	Series 2013 Bonds	Aggregate Total Debt Service
2013	$ 2,347,968.75	$ 578,482.20	$ -	$ 2,926,450.95
2014	2,601,481.20	618,659.80	332,029.95	3,552,170.95
2015	2,876,693.55	657,932.40	746,106.26	4,280,732.21
2016	3,184,225.80	703,602.00	412,806.26	4,300,634.06
2017	3,522,686.60	752,426.05	412,806.26	4,687,918.91
2018	3,900,000.00	804,603.80	412,806.26	5,117,410.06
2019	-	855,682.10	412,806.26	1,268,488.36
2020	-	5,010,000.00	446,931.26	5,456,931.26
2021	-	-	464,681.26	464,681.26
2022	-	-	482,462.51	482,462.51
2023	-	-	500,431.26	500,431.26
2024	-	-	522,593.76	522,593.76
2025	-	-	538,843.76	538,843.76
2026	-	-	564,087.51	564,087.51
2027	-	-	583,262.51	583,262.51
2028	-	-	606,296.88	606,296.88
2029	-	-	632,950.00	632,950.00
2030	-	-	657,500.00	657,500.00
2031	-	-	680,000.00	680,000.00
2032	-	-	706,000.00	706,000.00
2033	-	-	735,300.00	735,300.00
2034	-	-	762,800.00	762,800.00
2035	-	-	806,875.00	806,875.00
2036	-	-	837,200.00	837,200.00
2037	-	-	865,075.00	865,075.00
2038	-	-	900,250.00	900,250.00
2039	-	-	927,600.00	927,600.00
2040	-	-	964,000.00	964,000.00
2041	-	-	999,400.00	999,400.00
2042	-	-	1,036,900.00	1,036,900.00
2043	-	-	1,081,200.00	1,081,200.00
Total	$18,433,055.90	$9,981,388.35	$20,032,001.96	$48,446,446.21

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2013 Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District. The Series 2013 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2013 Bonds.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2012-13 assessed value of $4,880,743,012. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See "*– Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Under California law, a city or county could, and did, prior to recent California legislation dissolving redevelopment agencies, create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area. The application of such revenues diverted by redevelopment agencies is now substantially limited to meeting existing debt service of the redevelopment agencies.

Shown in the following table is a recent history of the assessed valuation of the assessed valuation of property in the District in fiscal years 2003-04 through 2012-13.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
Assessed Valuations
Fiscal Years 2003-04 through 2012-13

Fiscal Year	Local Secured	Utility	Unsecured	Total
2003-04	$2,584,341,473	$31,319,544	$308,753,438	$2,924,414,455
2004-05	2,942,300,078	33,864,597	296,396,861	3,272,561,536
2005-06	3,428,173,038	35,531,178	315,345,700	3,779,049,916
2006-07	3,831,481,287	35,711,296	353,211,703	4,220,404,286
2007-08	4,278,728,013	30,776,677	408,484,341	4,717,989,031
2008-09	4,643,043,860	11,090,461	443,849,148	5,097,983,469
2009-10	4,538,910,047	35,172,443	546,337,584	5,120,420,074
2010-11	4,537,621,459	38,236,871	507,383,354	5,083,241,684
2011-12	4,453,639,797	38,236,871	494,627,747	4,986,504,415
2012-13	4,333,530,260	38,236,871	508,975,881	4,880,743,012

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "−*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office (the "Assessor"), the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2012-13 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $61.0 million and its net bonding capacity is approximately $53.6 million (taking into account current outstanding debt before issuance of the Series 2013 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the fiscal year 2012-13 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
2012-13 Assessed Valuation and Parcels by Land Use

	Assessed Valuation		Parcels	% of Total
Type of Property	2012-13 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$11,108,586	0.26%	14	0.13%
Commercial	373,442,685	8.62	116	1.10
Vacant Commercial	44,463,900	1.03	161	1.53
Industrial	1,404,586,611	32.41	557	5.29
Vacant Industrial	198,988,063	4.59	170	1.62
Recreational	5,019,149	0.12	5	0.05
Government/Social/Institutional	5,582,720	0.13	69	0.66
Miscellaneous	144,511,192	3.33	629	5.98
Subtotal Non-Residential	$2,187,702,906	50.48%	1,721	16.35%
Residential:				
Single Family Residence	$1,910,606,938	44.09%	5,728	54.42%
Condominium/Townhouse	16,095,734	0.37	104	0.99
Mobile Home	81,039,097	1.87	456	4.33
Mobile Home Park	10,536,691	0.24	4	0.04
2-4 Residential Units	8,864,863	0.20	25	0.24
5+ Residential Units/Apartments	23,425,768	0.54	18	0.17
Vacant Residential	95,258,263	2.20	2,469	23.46
Subtotal Residential	$2,145,827,354	49.52%	8,804	83.65%
TOTAL	$4,333,530,260	100.00%	10,525	100.00%

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

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in the District for fiscal year 2012–13.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
2012-13 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	5,728	$1,910,606,938	$333,556	$325,267

2012-13 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	33	0.576%	0.576%	$534,998	0.028%	0.028%
$25,000 - $49,999	43	0.751	1.327	1,567,948	0.082	0.110
$50,000 - $74,999	61	1.065	2.392	3,876,712	0.203	0.313
$75,000 - $99,999	54	0.943	3.334	4,665,303	0.244	0.557
$100,000 - $124,999	41	0.716	4.050	4,615,222	0.242	0.799
$125,000 - $149,999	81	1.414	5.464	11,358,691	0.595	1.393
$150,000 - $174,999	119	2.078	7.542	19,369,722	1.014	2.407
$175,000 - $199,999	226	3.946	11.487	42,640,292	2.232	4.639
$200,000 - $224,999	320	5.587	17.074	68,017,532	3.560	8.199
$225,000 - $249,999	322	5.622	22.696	76,691,540	4.014	12.213
$250,000 - $274,999	500	8.729	31.425	131,572,175	6.886	19.099
$275,000 - $299,999	558	9.742	41.166	160,027,206	8.376	27.475
$300,000 - $324,999	482	8.415	49.581	150,533,459	7.879	35.354
$325,000 - $349,999	482	8.415	57.996	162,463,216	8.503	43.857
$350,000 - $374,999	463	8.083	66.079	167,319,096	8.757	52.614
$375,000 - $399,999	455	7.943	74.022	175,825,002	9.203	61.817
$400,000 - $424,999	418	7.297	81.320	172,448,841	9.026	70.843
$425,000 - $449,999	316	5.517	86.837	137,934,785	7.219	78.062
$450,000 - $474,999	242	4.225	91.061	111,568,341	5.839	83.902
$475,000 - $499,999	105	1.833	92.895	51,012,428	2.670	86.572
$500,000 and greater	407	7.105	100.000	256,564,429	13.428	100.000
Total	5,728	100.000%		$1,910,606,938	100.000%	

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

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2012-13 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

CASTAIC UNION SCHOOL DISTRICT
(County Of Los Angeles, California)
Largest 2012-13 Local Secured Taxpayers

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	Percent of Total[1]
1.	Newhall Land and Farming Co.	Land Holdings	$84,538,713	1.95%
2.	Mann Biomedical Park LLC	Industrial	54,804,930	1.26
3.	SFI Los Valles LLC	Residential Development	46,584,700	1.07
4.	Valencia LLC	Industrial	44,919,549	1.04
5.	CLPF Valencia II Industrial LP	Industrial	39,237,858	0.91
6.	GPO Valencia LLC	Office Building	37,130,000	0.86
7.	Gateway Village Retail LLC	Shopping Center	35,700,000	0.82
8.	LBL Suncal Northlake LLC	Residential Development	24,520,966	0.57
9.	Paragon Valencia LLC	Office Building	22,061,746	0.51
10.	American Honda Motor Co. Inc.	Industrial	22,022,109	0.51
11.	IAC 28624 Witherspoon LLC	Industrial	19,803,300	0.46
12.	Gregory G. Butts	Industrial	19,456,509	0.45
13.	LMC Properties Inc.	Industrial	18,976,859	0.44
14.	Santa Clarita Real Estate Partners Ltd.	Industrial	17,673,407	0.41
15.	US Regency Retail I LLC	Shopping Center	17,193,094	0.40
16.	WalMart Real Estate Business Trust	Commercial	16,664,983	0.38
17.	Castaic Village LLC	Shopping Center	16,642,452	0.38
18.	12800 Wentworth LLC	Industrial	15,476,684	0.36
19.	Krausz Puente LLC	Industrial	14,492,326	0.33
20.	Steller Microelectronics Inc.	Industrial	14,280,000	0.33
			$582,180,185	13.43%

[1] 2012-13 local secured assessed valuation: $4,333,530,260.
Source: California Municipal Statistics, Inc.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Series 2013 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2013 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2013 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates in typical Tax Rate Areas of the District (TRA 360) over the five year period from 2008-09 through 2012-13. This Tax Rate Area comprises approximately 7.41% of the total assessed value of the District.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
Typical Total Tax Rates per $100 of Assessed Valuation
(TRA 360)
Fiscal Years 2008-09 Through 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Castaic Union School District	.038912	.044386	0.047163	0.055343	0.064278
William S. Hart Union High School District	.023709	.030090	0.031916	0.032320	0.039479
Santa Clarita Community College District	.023764	.025952	0.021157	0.022987	0.030799
Castaic Lake Water Agency	.040000	.060750	0.070600	0.070600	0.070600
Total All Property Tax Rate	1.126385%	1.161178%	1.170836%	1.181250%	1.205156%

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2013 Bonds to be approved by at least 55% popular vote, bonds approved by the District's voters at the November 6, 2012 election may not be issued unless the District projects that repayment of all outstanding bonds approved at such election will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2013 Bonds, the District projects that the maximum tax rate required to repay the Series 2013 Bonds and all other outstanding bonds approved at the November 6, 2012 election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2013 Bonds in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special ad valorem taxes for voter-approved indebtedness are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer. The County has not adopted the "Teeter Plan" alternative method for collection of taxes and, therefore, such alternative method is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table shows real property tax charges and corresponding delinquencies with respect to property located in the District for fiscal years 2007-08 through 2011-12.

CASTAIC UNION SCHOOL DISTRICT
(County Of Los Angeles, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2007-2008 Through 2011-12

	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2007-08	$2,863,724.13	$141,823.21	4.95%
2008-09	3,073,720.72	142,728.10	4.64
2009-10	3,079,281.72	104,804.48	3.40
2010-11	3,069,394.49	73,073.97	2.38
2011-12	3,029,943.11	62,670.14	2.07

	Secured Tax Charge[2]	Amount Delinquent June 30	% Delinquent June 30
2007-08	$1,633,105.80	$93,403.57	5.72%
2008-09	1,795,588.60	140,153.28	7.81
2009-10	2,034,605.21	88,734.23	4.36
2010-11	2,128,936.46	77,981.06	3.66
2011-12	2,431,115.84	57,563.96	2.37

(1) 1% General Fund apportionment. Reflects countywide delinquency rate.
(2) General obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and effective December 1, 2012 for debt issued as of December 5, 2012. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
Statement Of Direct And Overlapping Bonded Debt

2012-13 Assessed Valuation: $4,880,743,012

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 12/1/12
Los Angeles County Flood Control District	0.430%	$159,939
Antelope Valley Joint Community College District	0.001	1,284
Santa Clarita Community College District	14.647	25,309,239
William S. Hart Union High School District	14 .645	33,140,315
William S. Hart Union High School District Community Facilities District No. 99-1	100.000	1,330,000
Castaic Union School District	100.000	7,378,682[1]
Castaic Union School District Community Facilities District No. 92-1	100.000	9,780,000
City of Santa Clarita Open Space and Parkland Assessment District	6.242	963,141
Los Angeles County Regional Park and Open Space Assessment District	0.448	640,058
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$78,702,658
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.448%	$7,817,327
Los Angeles County Superintendent of Schools Certificates of Participation	0.448	46,490
Santa Clarita Community College District Certificates of Participation	14.647	2,895,712
William S. Hart Union High School District Certificates of Participation	14.645	878,700
Castaic Union School District Certificates of Participation	100.000	4,040,000
City of Santa Clarita Certificates of Participation	6.242	1,436,284
Los Angeles County Sanitation District No. 32 Authority	12.520	3,542,940
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$20,657,453
Less: Los Angeles County obligation supported by landfill revenues		74,808
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$20,582,645
GROSS COMBINED TOTAL DEBT		$99,360,111[2]
NET COMBINED TOTAL DEBT		$99,285,303

(1) Excludes Series 2013 Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Direct Debt ($7,378,682)..0.15%
Combined Direct Debt ($11,418,682)...0.23%
Total Overlapping Tax and Assessment Debt.............................1.61%
Gross Combined Total Debt 2.04%
Net Combined Total Debt...2.02%

Source: California Municipal Statistics, Inc.

BOND INSURANCE

The following information and the specimen of the Policy attached as Appendix H hereto have been furnished by BAM for use in this Official Statement, and the District takes no responsibility for the accuracy or completeness thereof. Reference is made to Appendix H – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" for a specimen of the Policy.

Bond Insurance Policy

Concurrently with the issuance of the Series 2013 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2013 Bonds (except the Series 2013 Bonds maturing on August 1, 2014) with the CUSIP numbers as indicated on the inside front cover hereof (collectively, the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix H 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: **www.buildamerica.com.**

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at **www.standardandpoors.com**. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Insured Bonds, nor does it guarantee that the rating on the Insured Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2012 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$491.2 million, \$7.5 million and \$483.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at **www.buildamerica.com**, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Insured Bonds or the uninsured Series 2013 Bonds, or the advisability of investing in the Insured Bonds or the uninsured Series 2013 Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and in APPENDIX H – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2013 Bonds is less than the amount to be paid at maturity of such Series 2013 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2013 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2013 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2013 Bonds is the first price at which a substantial amount of such maturity of the Series 2013 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2013 Bonds accrues daily over the term to maturity of such Series 2013 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2013 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2013 Bonds. Beneficial Owners of the Series 2013 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2013 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2013 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2013 Bonds is sold to the public.

Series 2013 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2013 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2013 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2013 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2013 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2013 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2013 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2013 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2013 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2013 Bonds ends with the issuance of the Series 2013 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2013 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2013 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2013 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2013 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2013 Bonds at the time of issuance substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Lozano Smith, Los Angeles, California, and by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Nossaman LLP, Irvine, California.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2013 Bonds are legal investments for commercial banks in California to the extent that the Series 2013 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2013 Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series 2013 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2012-13 fiscal year (which is due no later than April 1, 2014) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the preceding five years, the District has not failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notice of Notice Events.

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2013 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2013 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2013 Bonds or District officials who will sign certifications relating to the Series 2013 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2013 Bonds.

The District is occasionally subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Ratings

Standard & Poor's Ratings Services ("S&P") has assigned its insured municipal bond rating of "AA" to the Insured Bonds with the understanding that, upon delivery of the Insured Bonds, the Policy will be delivered by BAM (see "BOND INSURANCE" herein). S&P has assigned its underlying rating of "A+" (stable outlook) to the Series 2013 Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2013 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2013 Bonds. Neither the Underwriter nor the District have undertaken any responsibility after the offering of the Series 2013 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2013 Bonds, and will receive compensation contingent upon the sale and delivery of the Series 2013 Bonds. Fieldman, Rolapp & Associates is acting as the District's Financial Advisor with respect to the Series 2013 Bonds. Nossaman LLP, Irvine, California, is acting as Underwriter's Counsel with respect to the Series 2013 Bonds. Payment of the fees and expenses of the Financial Advisor and Underwriter's Counsel are also contingent upon the sale and delivery of the Series 2013 Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2013 Bonds.

Underwriting

The Series 2013 Bonds are being purchased for reoffering to the public by Piper Jaffray (the "Underwriter"), pursuant to the terms of a bond purchase agreement executed on April 2, 2013, by and between the Underwriter and the District (the "Purchase Agreement"). The Underwriter has agreed to purchase the Series 2013 Bonds at a price of $10,535,025.35. The Purchase Agreement provides that the Underwriter will purchase all of the Series 2013 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2013 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Series 2013 Bonds. Under the Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2013 Bonds. Quotations from and summaries and explanations of the Series 2013 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2013 Bonds.

The District has duly authorized the delivery of this Official Statement.

CASTAIC UNION SCHOOL DISTRICT

By: /s/ James M. Gibson
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Castaic Union School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2013 Bonds is payable from the general fund of the District or from State revenues. The Series 2013 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Los Angeles on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2013 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was established as an elementary school district organized under the laws of the State of California (the "State"). The District was formed in 1884 and encompasses an area of approximately 150 square miles in the Santa Clarita Valley in Los Angeles County (the "County"). The District currently operates five preschools, three elementary schools and one middle school. Total enrollment for the 2012-13 school year is approximately 2,861 students.

The District is governed by a Board of Trustees consisting of five members, each of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day operations are managed by a board-appointed Superintendent of Schools. James M. Gibson has served in this position since 2006.

Board of Trustees

The District is governed by a five-member Board of Trustees (the "District Board") elected by voters within the District to serve alternating four-year terms. The District Board consists of five voting members. The voting members are elected to four-year terms in alternate slates of two and three and elections are held every two years. Each December the District elects a President and Clerk to serve one year terms. Current voting members of the District Board, together with their office and the date their term expires, are listed below:

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
Board of Trustees

Name	Office	Term Expires
Susan Christopher	President	December 2013
Laura Pearson	Clerk	December 2013
David Huffaker	Member	December 2015
Steve Teeman	Member	December 2015
Victor Torres	Member	December 2013

Superintendent and Financial and Fiscal Administrative Personnel

The day-to-day operations of the District are managed by a board-appointed Superintendent of Schools. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

James M. Gibson, Superintendent. Mr. Gibson is a career educator who has 17 years of experience with the instructional/educational aspect of educational institutions, ten years of experience in business service programs, and an additional six years of experience as Chief Executive/Superintendent. Mr. Gibson has served as an adjunct professor of business education. He has worked in the Los Angeles Unified School District as a substitute teacher; in Burbank Unified School District as a substitute teacher, teacher, Assistant Principal and High School Principal; and in the Glendale Unified School District as a High School Principal, and as a member of the business services team as Director of Educational Technology and as the Chief Information/Technology Officer. Mr. Gibson taught graduate level classes for the University of Southern California as an adjunct professor in the graduate level Chief Business Officer Certification Program.

Mr. Gibson has served two years at the District as Chief Business Officer prior to serving as Superintendent. Mr. Gibson has also served, during the course of his career, as a member of the Computer Requirements Panel of the California Commission on Teacher Credentialing, on the Compaq National Educational Advisory Council, and as a member of the Intel National Advisory Committee.

Mark Evans, Director of Fiscal Services. Mr. Evans has worked in education over 24 years and presently serves as the Director of Fiscal Services for the District. He served as a site administrator overseeing instructional, budget and personnel issues for seven years, and he has served the District as a member of the negotiation team for the past ten years. Currently he is lead labor negotiator for the District with respect to both the certificated and classified bargaining units. In June 2007 he completed the School Business Management Program at the University of Southern California. Additionally, he holds Master's degrees in Secondary Education and Educational Administration.

Jaime Garcia, Director of Facilities. Mr. Garcia is primarily responsible for overseeing the District's school construction and modernization projects, and works closely with State agencies and consultants to ensure the District's compliance with all State facilities programs. Mr. Garcia also oversees the District's maintenance and operations, and is responsible for the District's technology infrastructure, environmental health and safety, and asset management. He also serves as the District's representative with respect joint powers authorities the District has joined to obtain property and liability insurance coverage.

Prior to joining the District, Mr. Garcia served as Director of Technical Services for the College of Arts and Sciences for the State University of New York, Albany. Prior facilities positions were at Whittier Law School and Antioch University, Los Angeles. He received a Bachelor of Science degree from California State Polytechnic University, Pomona and completed several courses in business management leading toward a Master's degree in Business Administration. Mr. Garcia completed the Chief Business Official training through the Fiscal Crisis and Management Assistance Team in March 2008.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District receives approximately 77.3% of its general fund revenues from State funds, projected at approximately $16.03 million in fiscal year 2012-13. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2012-13 State budget on June 27, 2012.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13 (see *"−2012-13 State Budget"* and *"−State Cash Management Legislation"* below); and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2013 Bonds, and the District takes no responsibility for informing owners of the Series 2013 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2012-13 State Budget. The Governor signed the fiscal year 2012-13 State budget (the "2012-13 State Budget") on June 27, 2012. The 2012-13 State Budget closes a $15.7 billion budget gap and builds a reserve of nearly $1 billion with (i) $8.1 billion in expenditure reductions, (ii) $6 billion in increased revenues (which assumes the approval by the voters of temporary taxes at the November 2012 election, as further described below) and (iii) $2.5 billion from certain loan and transfer measures. This $15.7 billion budget gap is less than the $26.6 billion budget gap encountered for fiscal year 2011-12. The 2012-13 State Budget purports to position the State to have a balanced budget in an ongoing manner for the first time in over a decade, with future spending expected to stay within available revenues.

The 2012-13 State Budget assumes the passage of The Schools and Local Public Safety Protection Act (the "Temporary Tax Measure") at the November 6, 2012 election. Such Temporary Tax Measure, which increases the personal income tax on the State's highest income taxpayers by up to three percent for a period of seven years starting with the 2012 tax year, and increases the sales tax by one-quarter percent for a period of four years beginning on January 1, 2013, was approved by the voters at the November 6, 2012 election. The 2012-13 State Budget projects that the Temporary Tax Measure will generate an estimated $8.5 billion in revenues in fiscal year 2012-13. Such additional revenues would increase the State's Proposition 98 obligation by $2.9 billion and provide a net benefit of $5.6 billion to the State's general fund.

With the voter approval of the Temporary Tax Measure, the 2012-13 State Budget provides $53.6 billion in Proposition 98 funding for K-12 schools and community colleges, a $6.7 billion (or 14%) increase from fiscal year 2011-12. Of such increased amount, $6.1 billion is designated for K-12 schools. The 2012-13 State Budget maintains level Proposition 98 programmatic funding for all K-12 schools, pays off $2.2 billion in the amount of payments to K-12 schools and community colleges that are deferred each year, and funds the Quality Education Investment Act program (as described below) within the Proposition 98 guarantee. According to the 2012-13 State Budget, the Temporary Tax Measure is expected to increase Proposition 98 funding for K-12 schools and community colleges by an aggregate amount of $17.2 billion (or 37%) over the next four fiscal years when compared to fiscal year 2011-12. This projected increase reverses years of cuts in funding for K-12 schools and community colleges.

K-12 adjustments provided in the 2012-13 State Budget include:

- <u>Proposition 98 Adjustments</u>. A decrease of approximately $630 million due to (i) eliminating the hold-harmless adjustment provided to K-12 schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (ii) using a consistent current value methodology to rebench the Proposition 98 minimum guarantee for the exclusion of child care programs, the inclusion of special education mental health services, and new property tax shifts.

- <u>Redevelopment Agency Asset Liquidation</u>. An increase of $1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies, which increase in local revenues also reduces Proposition 98 general fund by an identical amount.

- Quality Education Investment Act. A decrease of $450 million in funding for fiscal year 2012-13 with respect to the Quality Education Investment Act. The overappropriation in fiscal year 2011-12 will be used to prepay the $450 million required to be provided on top of the Proposition 98 minimum guarantee in fiscal year 2012-13. The program will be funded within the Proposition 98 minimum guarantee to achieve one-time savings of $450 million for fiscal year 2012-13.

- K-12 Deferrals. An increase of $2.1 billion in Proposition 98 funding to reduce K-12 inter-year budgetary deferrals from $9.5 billion to $7.4 billion.

- Mandates Block Grant. An increase of $86.2 million from fiscal year 2011-12 to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant, in which participating school districts and county offices of education would receive $28 per student and participating charter schools would receive $14 per student. School districts and county offices of education that choose not to participate in the block grant program would retain their right to submit claims for reimbursement, subject to audit by the State Controller.

- Charter Schools. An increase of $53.7 million in Proposition 98 funding for charter school categorical programs to fund growth in charter school enrollment. Additionally, the 2012-13 State Budget provides for (i) the expansion of the ability of school districts to convey surplus property to charter schools, (ii) the authorization of county treasurers to provide charter schools with short-term cash loans, and (iii) the authorization of charter schools to participate in the temporary revenue anticipation note financing mechanisms that are currently available to school districts and county offices of education.

- Child Care. Total savings of $294.3 million from (i) the inclusion of part-day center-based services for 3- and 4- year-olds within the State Preschool Program funded through Proposition 98, (ii) the reduction of child care provider contracts, and (iii) not providing the statutory cost-of-living-adjustment for non-CalWORKs programs.

If the Temporary Tax Measure was not approved by the voters at the November 2012 election, the 2012-13 State Budget included a backup plan of $6 billion in trigger cuts which would have gone into effect on January 1, 2013. With respect to K-12 schools, such cuts would have (i) reduced funding for K-12 schools and community colleges by $5.4 billion – a funding decrease equivalent to three weeks of instruction, and (ii) eliminated the ability of the State to begin repaying funding deferrals.

The complete 2012-13 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this interest address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Legal Challenge to State Funding Education. On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified School District, the Alpine Union School District, the Del Norte County Unified School District, the Folsom Cordova Unified School District, the Hemet Unified School District, the Porterville Unified School District, the Riverside Unified School District, the San Francisco Unified School District and the Santa Ana Unified School District, 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 *Robles-Wong, et al. v. State of California* ("*Robles-Wong*"), the plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school funding and replace it with a system that is based on what is needed to meet the State's program requirements and the needs of individual students. After a demurrer was sustained with leave to amend on January 14, 2011, a first amended complaint was filed by the plaintiff class on March 16, 2011. A demurrer with leave to amend on the first amended complaint was sustained on July 26, 2011, however, the plaintiffs elected not to amend their complaint within the time provided by the court. Accordingly, the court dismissed all of the plaintiff's claims and entered a judgment on November 3, 2011. The plaintiffs, on January 24, 2012, filed a notice of appeal to the Court of Appeal of the State of California, First Appellate District, from the judgment entered on November 3, 2011 dismissing the case in its entirety and all orders incorporated therein, including the order entered on July 26, 2011 sustaining the demurrer. The District cannot predict the likelihood of success of such appeal or how such appeal, if successful, could result in a change in how school funding of education is implemented in the State.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "–State Funding of Education; State Budget Process – *Dissolution of Redevelopment Agencies*" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, allowed the State Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. Similar legislation was enacted for fiscal year 2011-12. The fiscal year 2011-12 legislation, however, set forth a specific deferral plan for K-12 education payments.

The State Legislature enacted similar legislation for fiscal year 2012-13 that provides for $1.2 billion of K-12 payments to be deferred in July 2012, $600 million to be deferred in August 2012, $800 million to be deferred in October 2012 and $900 million to be deferred in March 2013. Of such deferred amounts, $700 million of the deferral made in July 2012 is to be paid in September 2012, the remaining $1.9 billion deferred in July, August and October of 2012 is to be paid in January 2013, and the $900 million deferred in March 2013 is to be repaid in April 2013. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to utilize cash flow borrowings or increase the size or frequency of its cash flow borrowings in fiscal year 2012-13 and in future years. The District cannot predict if additional deferrals will be made in fiscal year 2012-13 and in future years.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolves all redevelopment agencies in existence and designates "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below. As signed by the Governor, AB1X 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB1X 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with AB1X 27's provisions and the satisfaction of certain other conditions.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds *(California Redevelopment Association v. Matosantos).* On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos.*

On February 1, 2012, and pursuant to *Matosantos,* AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;
- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;
- To the former redevelopment agency's successor agency for payment of administrative costs; and
- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposed 2013-14 State Budget. The Governor released his proposed fiscal year 2013-14 State budget (the "2013-14 Proposed State Budget") on January 10, 2013. The 2013-14 Proposed State Budget projects a balanced budget for fiscal year 2013-14 and proposes a multiyear plan that is balanced, maintains a $1 billion reserve and pays down budgetary debt from past years. In comparison, a $15.7 billion and $26.6 billion budget gap was encountered in fiscal years 2012-13 and 2011-12, respectively. The 2013-14 Proposed State Budget provides that the projected balanced budget is largely the result of the various spending cuts implemented over the previous two fiscal years, and the passage of the Temporary Tax Measure at the November 6, 2012 election. The 2013-14 Proposed State Budget acknowledges that the Temporary Tax Measure will only provide temporary revenues, with the sales tax increase expiring at the end of 2016 and the income tax increase expiring at the end of 2018. Accordingly, the 2013-14 Proposed State Budget notes the State must begin to plan now to ensure that the budget will remain balanced after such temporary tax increases expire. The 2013-14 Proposed State Budget also notes certain other risks that could return the State to fiscal deficits, including: fiscal challenges of the federal government, deviation from projected economic growth, rising health care costs and federal government and court interference with the State's efforts to reduce spending.

In addition to the revenues projected to be generated by the Temporary Tax Measure, additional revenues are also expected due to the passage of Proposition 39 (The California Clean Energy Jobs Act) at the November 6, 2012 election (the "Clean Energy Jobs Act") which establishes a single sales tax for out-of-state corporations. Such tax measures are expected to collectively generate $3.2 billion of State general fund revenue in fiscal year 2012-13 and $5.8 billion of State general fund revenue in fiscal year 2013-14, or 5.9% of total State general fund revenue ($98.5 billion). Of such total State general fund revenue, personal income taxes are expected to contribute $61.7 billion (62.7%), sales and use taxes are expected to contribute $23.3 billion (23.6%) and corporation taxes are expected to contribute $9.1 billion (9.3%).

Absent any changes, the 2013-14 Proposed State Budget projects that the fiscal year 2013-14 budget would be balanced but would lack an adequate reserve. To create a $1 billion reserve, the 2013-14 Proposed State Budget proposes several measures, such as the suspension of certain newly identified mandates, the use of fiscal year 2012-13 funds appropriated above the Proposition 98 minimum guarantee to prepay certain obligations to schools under the Quality Education Investment Act, as described below, and the extension of the hospital quality assurance fee and the gross premiums tax on Medi-Cal managed care plans. The 2013-14 Proposed State Budget dedicates $4.2 billion in fiscal year 2013-14 to pay down the State's budgetary debt (which budgetary debt amounted to $34.7 billion at the end of fiscal year 2010-11 and is currently estimated to be $27.8 billion at the end of fiscal year 2012-13) and estimates that such budgetary debt will be reduced to less than $5 billion by the end of fiscal year 2016-17.

As it relates to K-12 education, the 2013-14 Proposed State Budget provides Proposition 98 funding of $56.2 billion for fiscal year 2013-14, an increase of $2.7 billion from fiscal year 2012-13, which translates to Proposition 98 per-pupil expenditures of $8,304 in fiscal year 2013-14, as compared to $7,967 in fiscal year 2012-13. Total per-pupil expenditures from all sources are projected to be $11,455 in fiscal year 2012-13 and $11,742 in fiscal year 2013-14, including funds provided for prior year "settle-up" obligations. For fiscal year 2012-13, K-12 average daily attendance ("A.D.A.") is estimated to be 5,982,430, an increase of 16,090 from fiscal year 2011-12. The 2013-14 Proposed State Budget estimates that K-12 A.D.A. will increase by an additional 5,967 in fiscal year 2013-14 to 5,988,397.

The 2013-14 Proposed State Budget proposes a new funding formula for school districts and county offices of education, the Local Control Funding Formula, to increase local control and flexibility, reduce State bureaucracy and to ensure that student needs drive the allocation of resources. The Local Control Funding Formula would replace the existing revenue limit funding system and most categorical programs, and would distribute combined resources to school districts through a base revenue limit funding grant ("Base Grant") per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners and economically disadvantaged students. Every school district would be entitled to a Base Grant adjusted for grade span cost differentials, multiplied by A.D.A. The average Base Grant, when fully implemented, is expected to be equal to the current average undeficited school district revenue limit. School districts would be entitled to supplemental funding increases up to 35% of the Base Grant. When the proportion of English language learners and economically disadvantaged students exceeds 50% of its total student population, a school district would receive an additional concentration grant equal to 35% of the Base Grant for each English language learner and economically disadvantaged student above the 50% threshold. Under the new formula, "basic aid districts" would be defined as school districts whose local property taxes equal or exceed their district's formula allocation and would continue to retain local property taxes in excess of their new formula allocation.

Additionally, the 2013-14 Proposed State Budget proposes the following permanent changes to further increase local control and flexibility: (i) elimination of the minimum contribution requirement for routine maintenance, (ii) elimination of the required local district set-aside for deferred maintenance contributions, and (iii) ability to use proceeds from the sale of any real and personal surplus property for any one-time general fund purposes. The 2013-14 Proposed State Budget also proposes other program reforms including, but not limited to, reforms relating to charter schools, special education, adult education and technology-based instruction.

Certain workload adjustments for K-12 programs included in the 2013-14 Proposed State Budget include the following:

- K-12 Deferrals. An increase of approximately $1.8 billion Proposition 98 general fund to reduce inter-year budgetary deferrals. Combined with the $2.2 billion provided in fiscal year 2012-13 to retire inter-year deferrals, the total outstanding deferral debt for K-12 is projected to be reduced to $5.6 billion at the end of fiscal year 2013-14, and all remaining K-12 deferrals are projected to be paid off by the end of fiscal year 2016-17.

- New School District Funding Formula. An increase of approximately $1.6 billion in Proposition 98 general fund for school districts and charter schools in fiscal year 2013-14.

- New County Office of Education Funding Formula. An increase of approximately $28.2 million Proposition 98 general fund to support first year implementation of a new funding formula for county offices of education in fiscal year 2013-14.

- Energy Efficiency Investments. An increase of $400.5 million Proposition 98 general fund to support energy efficiency projects in schools consistent with The California Clean Energy Jobs Act.

- Cost-of-Living Adjustment Increases. A 1.65% cost-of-living adjustment ("COLA") for a select group of categorical programs that will remain outside of the new student funding formula, including special education and child nutrition. COLA for school district and county offices of education revenue limits will be provided in the form of new funding allocated for the implementation of the new funding formulas.

- Charter Schools. An increase of $48.5 million Proposition 98 general fund to support projected charter school A.D.A. growth.

- K-12 Mandates Funding. An increase of $100 million to the K-12 portion of the mandates block grant to support costs associated with mandates relating to graduation requirements and behavioral intervention plans.

- Local Property Tax Adjustments. An increase of $526.6 million and $608.6 million Proposition 98 general fund for school district and county office of education revenue limits in fiscal years 2012-13 and 2013-14, respectively, as a result of lower or reduced offsetting property tax revenues.

- A.D.A. An increase of $304.4 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of an increase in projected A.D.A. from the 2012-13 State Budget. An increase of $2.8 million in fiscal year 2013-14 for school districts and county offices of education as a result of projected growth in A.D.A. in fiscal year 2013-14.

- The revised Proposition 98 guarantee for fiscal year 2012-13 will be $162.8 million below the level of Proposition 98 General Fund appropriated in fiscal year 2012-13, which excess appropriated amount will be used to retire future funding obligations under the terms of the Quality Education Investment Act (see "–2012-13 State Budget" above).

The complete 2013-14 Proposed State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

LAO Overview of 2013-14 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2013-14 Proposed State Budget entitled "The 2013-14 Budget: Overview of the Governor's Budget" on January 14, 2013 (the "2013-14 Budget Overview"), in which the LAO acknowledges that the State has reached a point where, unlike in recent years, its underlying expenditures and revenues are roughly in balance. The LAO commends the 2013-14 Proposed State Budget emphasis on paying down the State's budgetary debt, especially in light of the risks and pressures that the State still faces (e.g., the uncertainty at the federal level over "fiscal cliff" issues related to the debt limit and sequestration). However, despite the commitment to paying down the State's budgetary debt under the Governor's multiyear plan, the 2013-14 Budget Overview notes that the State would still have no sizeable reserve at the end of fiscal year 2016-17 and further, the State would not have begun addressing significant unfunded liabilities associated with the teachers' retirement system and state retiree health benefits. With respect to the assumption in the 2013-14 Proposed State Budget regarding the continuation of moderate economic growth, the 2013-14 Budget Overview recognizes that a prolonged impasse at the federal level over "fiscal cliff" issues could affect consumer, business and investor confidence and negatively impact the ongoing economic recovery. In addition, the 2013-14 Budget Overview notes that there is uncertainty regarding the projected improvement in the State's housing market and construction industry, which is assumed in the 2013-14 Proposed State Budget, as such projections could be negatively affected by the tax increases under the Temporary Tax Measure.

With respect to the Proposition 98 budget plan in the 2013-14 Proposed State Budget, the 2013-14 Budget Overview commends the Governor's approach to dedicate $1.9 billion in fiscal year 2013-14 to paying down school and community college deferrals (while using the remainder for programmatic increases) which balanced approach would allow the State to eliminate all school and community college deferrals by fiscal year 2016-17. The LAO, though, notes that the 2013-14 Proposed State Budget does not address an outstanding mandate backlog of $1.9 billion. The 2013-14 Budget Overview also finds many strong components with the Governor's proposed changes to K-12 funding, finding that the new approach, if implemented, would replace a complicated, top-down system with one that is more transparent, better linked with student costs and locally driven. Nonetheless, the LAO believes that the proposed K-12 funding plan can be strengthened with some modifications, such as the inclusion (and not exclusion) of the Targeted Instructional Improvement Grant and Home-to-School Transportation programs in the new formula, and the implementation of procedures to ensure that supplemental funds are used by school districts to benefit disadvantaged children. The LAO also notes some concerns with respect to the Proposition 98 budget plan in the 2013-14 Proposed State Budget, including, but not limited to, concerns about the inclusion of revenues from the Clean Energy Jobs Act (including those revenues required to be spent on energy efficiency projects) in the Proposition 98 calculation. The 2013-14 Budget Overview provides that such application of revenues from the Clean Energy Jobs Act is a departure from how revenues should be treated for Proposition 98 and contrary to what voters were told regarding the Clean Energy Jobs Act. The LAO, accordingly, recommends that the State Legislature exclude all revenues from the Clean Energy Jobs Act required to be used on energy efficiency projects ($450 million) from the Proposition 98 calculation.

The 2013-14 Budget Overview is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2013-14 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot predict the impact that the final fiscal year 2013-14 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2013-14 State budget will be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District cannot predict and will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2012-13 and in future fiscal years. State budget shortfalls in fiscal year 2012-13 and future fiscal years could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts. Under California Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some equalization aid are commonly referred to as "revenue limit districts." The District is a revenue limit district.

Changes in local property tax income and student enrollment (A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, assuming property tax revenues are unchanged. Operating costs increase disproportionately slowly—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, the fixed property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus is financially beneficial to a basic aid district. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2008-09 through 2011-12, and (ii) the District's budgeted A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2012-13, for grades kindergarten through 8, including special education.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
Average Daily Attendance, Enrollment and Base Revenue Limit
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Average Daily Attendance[1]	Enrollment	Base Revenue Limit Per Unit of Average Daily Attendance
2008-09[2]	3,197	3,300	$5,861.48
2009-10[3]	3,079	3,164	6,111.48
2010-11[4]	2,885	2,961	6,095.74
2011-12[5]	2,860	2,943	6,232.92
2012-13[6]	2,800	2,861	6,435.20

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) The District had a 7.844% base revenue limit deficit factor in fiscal year 2008-09, resulting in a funded base revenue limit of $5,401.71. A deficit factor is applied to the base revenue limit if provided in the State Budget for a given fiscal year when appropriation of funds in the State Budget for such is not sufficient to pay all claims for State aid. The deficit factor is applied to reduce the allocation of State aid to the amount appropriated.
(3) The District had a 18.355% base revenue limit deficit factor and a 4.25% cost of living adjustment in fiscal year 2009-10, which resulted in net funding of a negative 7.75% and a funded base revenue limit of $4,988.33.
(4) The District had a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in fiscal year 2010-11, which resulted in a funded base revenue limit of $5,023.44.
(5) The District had a 20.602% base revenue limit deficit factor and a negative 2.24% cost of living adjustment in fiscal year 2011-12, which resulted in a funded base revenue limit of $5,020.62.
(6) Figures are projections. The District expects a 22.272% revenue limit deficit factor and a 3.24% cost of living adjustment in fiscal year 2012-13, which results in a funded base revenue limit of $5,001.95.
Source: Castaic Union School District.

In its fiscal year 2012-13 second interim report, the District projects that it will receive approximately $14.63 million in aggregate revenue limit income in fiscal year 2012-13, or approximately 70.6% of its general fund revenues. This amount represents a slight increase of approximately 1.8% from the $14.37 million the District received in fiscal year 2011-12. The District also expects to receive a small portion of its budget from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is currently projected at $0.41 million for fiscal year 2012-13.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts."

The District is not a basic aid district. Local property tax revenues account for approximately 23.3% of the District's aggregate revenue limit income, and are projected to be $3.38 million, or 16.3% of total general fund revenues in fiscal year 2012-13.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Developer Fees

The District collects developer fees to finance essential school facilities within the District. The following table of developer fee revenues reflects the collection of fees from fiscal years 2008-09 through fiscal year 2012-13.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
Developer Fees
Fiscal Years 2008-09 through 2012-13

Year	Total Revenues
2008-09	$31,024
2009-10	31,965
2010-11	20,330
2011-12	61,167
2012-13(1)	4,263

(1) Projected.
Source: Castaic Union School District.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2012, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor Brown Armstrong Accountancy Corporation, Bakersfield, California (the "Auditor"), for fiscal years 2007-08 through 2011-12.

The Auditor has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The District's audited financial statements for fiscal year 2011-12, previously issued on January 17, 2013, was revised and reissued due to a restatement of the amount of outstanding accreted interest on certain of the District's outstanding general obligation bonds. Such revised and reissued audited financial statements are included as Appendix B. For more information regarding the restatement and the changes in the revised and reissued audited financial statements, see APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012 – Note 14."

The following table shows the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2007-08 through 2011-12.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2007-08 through 2011-12

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
REVENUES					
Revenue Limit Sources:					
State Apportionments	$ 15,524,094	$ 14,562,050	$ 12,035,337	$ 12,194,823	$ 11,301,552
Local Sources	2,900,010	3,153,053	3,167,968	3,189,610	3,068,416
Total Revenue Limit Sources	18,424,104	17,715,103	15,203,305	15,384,433	14,369,968
Federal Revenues	705,016	730,788	2,045,368	1,523,720	863,760
Other State Revenues	5,495,794	5,044,195	4,629,006	5,199,992	4,951,687
Other Local Revenues	661,993	645,345	718,494	560,763	540,875
TOTAL REVENUES	25,286,907	24,135,431	22,596,173	22,668,908	20,726,290
EXPENDITURES					
Instruction	17,253,826	16,896,531	15,705,320	15,138,807	14,902,558
Instruction – Related Services	2,407,323	2,220,323	2,205,237	2,280,382	1,920,943
Pupil Services	1,825,868	1,781,885	1,683,540	1,684,394	1,748,884
Enterprise	58	-	-	-	-
All Other General Administration	1,697,859	1,659,924	1,759,128	1,622,241	1,895,032
Plant Services	2,481,290	2,262,223	2,247,213	2,227,556	2,259,137
Other Outgo	258,481	322,475	411,484	389,548	393,570
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	25,924,705	25,143,361	24,011,922	23,342,928	23,120,124
Excess (Deficiency) of Revenues Over (Under) Expenditures	(637,798)	(1,007,930)	(1,415,749)	(674,020)	(2,393,834)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	1,000,000	2,500,000	175,000	-
Operating Transfers Out	(151,515)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(151,515)	1,000,000	2,500,000	175,000	-
Net Change in Fund Balances	(789,313)	(7,930)	1,084,251	(499,020)	(2,393,834)
Fund Balances at Beginning of Year	4,757,583	3,968,270	3,960,340	5,044,591	4,545,571
Fund Balances at End of Year	$ 3,968,270	$ 3,960,340	$ 5,044,591	$ 4,545,571	$ 2,151,737

Source: Castaic Union School District Audited Financial Reports for fiscal years 2007-08 through 2011-12.

The following table shows the general fund balance sheet of the District for fiscal years 2007-08 through 2011-12.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
Summary of General Fund Balance Sheet
Fiscal Years 2007-08 Through 2011-12

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
ASSETS					
Cash and Cash Equivalents	$ 2,784,630	$ 4,093,296	$ 5,838,933	$ 2,118,347	$ 297,788
Accounts Receivable	1,888,445	3,563,638	3,185,133	4,268,084	5,283,946
Stores Inventories	5,800	5,800	5,800	5,800	5,800
Due from Other Funds	-	-	-	-	-
Other Current Assets	51,029	70,300	65,598	61,143	59,027
TOTAL ASSETS	$ 4,729,904	$ 7,733,034	$ 9,095,464	$ 6,453,374	$ 5,646,561
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 761,634	$ 892,474	$ 778,033	$ 740,011	$ 494,824
Due to other funds	-	2,000,000[1]	3,000,000[1]	1,000,000[1]	3,000,000[1]
Deferred revenue	-	880,220	272,840	167,792	-
TOTAL LIABILITIES	761,634	3,772,694	4,050,873	1,907,803	3,494,824
FUND BALANCES[2]					
Nonspendable					
Revolving Cash	-	-	-	3,000	3,000
Stores Inventory	-	-	-	5,800	5,800
Restricted	-	-	-	364,873	364,873
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	4,171,898	1,778,064
Reserved for:					
Revolving Cash	3,000	3,000	3,000	-	-
Stores Inventories	5,800	5,800	5,800	-	-
Prepaid Items	-	-	-	-	-
Designated Fund Balances:					-
Other Designations	1,033,475	1,096,020	-	-	-
Unreserved	2,925,995	2,855,520	5,035,791	-	-
TOTAL FUND BALANCES	3,968,270	3,960,340	5,044,591	4,545,571	2,151,737
TOTAL LIABILITIES AND FUND BALANCES	$ 4,729,904	$ 7,733,034	$ 9,095,464	$ 6,453,374	$ 5,646,561

[1] The District has used interfund borrowing to maintain cashflow as a result of State revenue deferrals.
[2] GASB 54, which became effective for fiscal year 2010-11, caused the District to change its Fund Balance classifications from "Reserved" and "Unreserved" to "Nonspendable," "Restricted," "Committed," "Assigned" and "Unassigned." Had the classifications under GASB 54 been effective in previous fiscal years, the unaudited fund balances would have been as follows: for fiscal year 2007-08: Nonspendable $8,800, Restricted $1,033,475, Committed $0; Assigned $2,925,995 and Unassigned $0; for fiscal year 2008-09: Nonspendable $8,800, Restricted $1,096,020, Committed $0; Assigned $2,855,520 and Unassigned $0; and for fiscal year 2009-10: Nonspendable $8,800, Restricted $0, Committed $0; Assigned $5,035,791 and Unassigned $0.

Source: Castaic Union School District Audited Financial Reports for fiscal years 2007-08 through 2011-12.

District Budget Process and County Review

State law requires school districts to adopt 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 Los Angeles County Superintendent of Schools.

The county superintendent must review and approve, conditionally 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 September 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the county superintendent determines that a district cannot meet its current or subsequent year's 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) develop and impose, after also consulting with the district's governing board, 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 (known as "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. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent.

In the last five years, the District received a qualified certification in connection with its first interim report for fiscal year 2007-08, but has maintained a positive certification since such report. The District has never received a negative certification.

The following table summarizes the District's adopted general fund budgets for fiscal years 2010-11, 2011-12 and 2012-13, unaudited actuals for fiscal years 2010-11 and 2011-12, and second interim report for fiscal year 2012-13. The District's adopted budget for fiscal year 2012-13 assumed that the Temporary Tax Measure would pass (see "–State Funding of Education; State Budget Process – *2012-13 State Budget*" above). In the event the Temporary Tax Measure was not approved by the voters, the District had a contingency plan in place to offset any subsequent reductions.

CASTAIC UNION SCHOOL DISTRICT
(County of Los Angeles, California)
General Fund Budgets for Fiscal Years 2010-11 Through 2012-13, Unaudited Actuals for Fiscal Years 2010-11 and 2011-12 and Second Interim Report for Fiscal Year 2012-13

	2010-11 Original Adopted Budget	2010-11 Unaudited Actuals	2011-12 Original Adopted Budget	2011-12 Unaudited Actuals	2012-13 Original Adopted Budget	2012-13 Second Interim Report
REVENUES						
Revenue Limit Sources	$14,656,424.00	$15,384,433.11	$14,561,515.00	$14,369,967.06	$14,631,286.00	$14,629,051.74
Federal Revenue	856,720.00	1,523,720.27	611,171.00	962,847.95	615,000.00	615,000.00
Other State Revenue	4,796,419.00	5,199,992.24	4,698,389.00	4,852,598.78	4,837,816.00	4,837,816.00
Other Local Revenue	639,490.00	560,762.70	614,896.00	540,875.47	639,343.00	639,343.00
TOTAL REVENUES	20,949,053.00	22,668,908.32	20,485,971.00	20,726,289.26	20,723,445.00	20,721,210.74
EXPENDITURES						
Certificated Salaries	13,176,461.00	12,944,267.31	12,079,605.00	12,561,091.95	12,466,843.93	12,764,453.93
Classified Salaries	3,865,100.00	3,688,134.12	3,676,877.00	3,610,022.41	3,586,113.00	3,586,113.00
Employee Benefits	4,148,762.00	3,827,215.09	3,764,544.00	3,804,793.00	3,775,186.00	3,835,208.00
Books and Supplies	660,801.00	552,136.81	618,641.00	624,510.14	457,593.00	457,593.00
Services, Other Operating Expenses	1,892,020.00	1,941,628.13	1,678,385.00	2,126,136.60	1,560,410.00	1,556,684.00
Capital Outlay	-	-	-	-	-	-
Other Outgo (excluding Direct Support/Indirect Costs)	291,119.00	389,548.10	325,000.00	393,570.02	425,000.00	425,000.00
Other Outgo - Transfers of Indirect Costs	-	-	-	-	-	-
TOTAL EXPENDITURES	24,034,263.00	23,342,929.56	22,143,052.00	23,120,124.12	22,271,145.93	22,625,051.93
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,085,210.00)	(674,021.24)	(1,657,081.00)	(2,393,834.86)	(1,547,700.93)	(1,903,841.19)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	325,000.00	175,000.00	150,000.00	-	600,000.00	750,000.00
Inter-fund Transfers Out	-	-	-	-	-	-
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	325,000.00	175,000.00	150,000.00	-	600,000.00	750,000.00
NET INCREASE (DECREASE) IN FUND BALANCE	(2,760,210.00)	(499,021.24)	(1,507,081.00)	(2,393,834.86)	(947,700.93)	(1,153,841.19)
BEGINNING BALANCE, as of July 1	5,007,500.05	5,290,966.81	3,612,839.70	4,791,945.57	2,143,558.57	2,151,736.71
Audit Adjustments	-	-	-	(246,374.00)	-	-
As of July 1 – Audited	5,007,500.05	5,290,966.81	3,612,839.70	4,545,571.57	2,143,558.57	2,151,736.71
Other Restatements	-	-	-	-	-	-
Adjusted beginning Balance	5,007,500.05	5,290,966.81	3,612,839.70	4,545,571.57	2,143,558.57	2,151,736.71
ENDING BALANCE	$2,247,290.05	$4,791,945.57	$2,105,758.70	$2,151,736.71	$1,195,857.64	$997,895.52

Source: Castaic Union School District Adopted general fund Budgets for fiscal years 2010-11, 2011-12 and 2012-13; unaudited actuals for fiscal years 2010-11 and 2011-12; and second interim report for fiscal year 2012-13.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2012, consisted of the following:

Long-Term Debt	Beginning Balance July 1, 2011	Prior Period Adjustment	July 1, 2011 Restated	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Certificates of Participation	$4,180,000	$ -	$4,180,000	$ -	$ 65,000	$4,115,000	$ 75,000
Mello-Roos Bonds	11,670,000	-	11,670,000	-	905,000	10,765,000	985,000
General Obligation Bonds	8,501,015	-	8,501,015		926,842	7,574,173	952,395
Accreted Interest	-	15,045,182	15,045,182	1,372,725	1,740,173	14,677,734	1,974,057
Sub-Total Debt Obligation	24,351,015	15,045,182	39,396,197	1,372,725	3,637,015	37,131,907	3,986,452
Compensated Absences	49,190	-	49,190	111,972	103,989	57,173	57,173
Early Retirement Incentive Program	-	236,753	236,753	-	51,573	185,180	52,058
Post Employment Benefits	533,906	-	533,906	338,539	49,312	823,133	823,133
Sub-Total Employment Obligations	583,096	236,753	819,849	450,511	204,874	1,065,486	932,364
Total	$24,934,111	$15,281,935	$40,216,046	$1,823,236	$3,841,889	$38,197,393	$4,918,816

Source: Castaic Union School District Audited Financial Report for fiscal year 2011-12.

General Obligation Bonds. Without regard to the issuance of the Series 2013 Bonds, the District has two additional outstanding series of bonds which are secured by *ad valorem* taxes levied upon all property subject to taxation by the District. The District received authorization at an election held on March 2, 1993, to issue bonds of the District in an aggregate principal amount not to exceed $20,115,000 (the "1993 Authorization"). On July 13, 1993, the District issued the $14,071,424.70 aggregate initial principal amounts of its 1993 General Obligation Bonds, Series A (the "1993 Series A Bonds"), for the purpose of acquiring a middle school site and constructing a new middle school. On March 1, 1995, the District issued $6,039,715.75 aggregate initial principal amount of its General Obligation Bonds, 1993 Election, Series B (the "1993 Series B Bonds") for the construction of a middle school.

See also "THE SERIES 2013 BONDS – Outstanding Bonds" and "–Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for the 1993 Series A Bonds and the 1993 Series B Bonds.

Certificates of Participation. On March 10, 2010, the District caused to be executed and delivered $4,180,000 aggregate principal amount of its Certificates of Participation (2010 Refunding) (the "2010 Refunding Certificates") evidencing direct, fractional undivided interests of the owners thereof in base rental payments to be made by the District pursuant to a lease agreement with the Castaic Union School District School Facilities Corporation (the "Corporation"). The proceeds of the 2010 Refunding Certificates were used primarily to prepay and defease the District's outstanding Certificates of Participation (2002 School Facility Bridge Funding Program) that were originally executed and delivered on July 17, 2002, in the original principal amount of $22,200,000 (the "2002 Certificates"). The 2010 Refunding Certificates have a final maturity date of September 1, 2033, with interest rates ranging from 2.00% to 5.125%. At June 30, 2012 the principal balance outstanding of the 2010 Refunding Certificates was $4,115,000. The 2010 Refunding Certificates mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 75,000	$ 183,644	$ 258,644
2014	80,000	181,694	261,694
2015	90,000	179,144	269,144
2016	100,000	176,294	276,294
2017	105,000	173,219	278,219
2018-2022	685,000	802,159	1,487,159
2023-2027	1,025,000	627,959	1,652,959
2028-2033	1,495,000	320,953	1,815,953
2033-2034	460,000	31,263	491,263
Total	$4,115,000	$2,676,329	$6,791,329

Source: Castaic Union School District Audited Financial Report for fiscal year 2011-12.

Mello-Roos Bonds. In 1992 the Community Facilities District #92-1 of the Castaic Union School District ("CFD #92-1") issued Mello-Roos Bonds pursuant to the Mello-Roos Community Facilities Act of 1982 in the amount of $19,500,000 (the "CFD Bonds") with interest rates ranging from 5.50-9.00%. The CFD Bonds are payable from certain proceeds of special taxes levied on owners of the land within CFD #92-1 and are not payable from the District's General Fund. At June 30, 2012, the principal balance outstanding was $10,765,000. The annual requirements to amortize the CFD Bonds payable outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 985,000	$ 958,575	$ 1,943,575
2014	1,070,000	874,850	1,944,850
2015	1,160,000	783,900	1,943,900
2016	1,260,000	679,500	1,939,500
2017	1,375,000	466,100	1,841,100
2018-2020	4,915,000	909,900	5,824,900
Total	$10,765,000	$4,672,825	$15,437,825

Source: Castaic Union School District Audited Financial Report for fiscal year 2011-12.

Compensated Absences. The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amount to $57,173.

Early Retirement Incentive Program; Post-Employment Benefits. For a discussion of the District's post-employment benefits, including information about the District's early retirement incentive program, see "– Retirement Benefits" below.

Tax and Revenue Anticipation Notes. To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District may issue tax and revenue anticipation notes ("TRANs"). On February 28, 2013, the District through the Los Angeles County Schools Pooled Financing Program issued TRANs in the principal amount of $4,000,000, which TRANs mature on January 31, 2014. The District currently expects to issue TRANS in fiscal year 2013-14 and may issue TRANs in future fiscal years if necessary.

Employment

As of June 30, 2012, the District employed 210 certificated employees and approximately 152 classified employees. For the year ended June 30, 2012, the total certificated and classified payrolls for all funds were $12,561,092 and $3,610,022, respectively, and are projected to be $12,466,844 and $3,586,113, respectively, in fiscal year 2012-13.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Castaic Teachers' Association	156	June 30, 2013
California School Employees Association - Chapter 401	145	June 30, 2014

Source: Castaic Union School District.

Retirement Benefits

The District participates in retirement plans with the State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees and the Public Agency Retirement Services ("PARS"). Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a $118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional $92 million from the State's general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial $23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

As of June 30, 2011, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of $64.5 billion, an increase of $8.5 billion from the June 30, 2010 valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005–06 proposed State budget and the 2005-06 May revise of the 2005-06 proposed State budget, the Governor previously proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State budget was adopted with a contribution rate of 8.25%. In addition to such prior proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been previously suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If such proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially. Governor Brown, however, has recently signed a pension reform measure that is expected to reduce future pension obligations of public employers like the District. See *"−Governor's Pension Reform"* below.

The District's employer contributions to CalSTRS for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 were $1,138,941, $1,103,947, $1,063,238, and $1,039,595, respectively, and were equal to 100% of the required contributions for each year. The District projects employer contributions to CalSTRS of $1,082,570 for fiscal year 2012-13.

CalSTRS produces a comprehensive annual financial report which includes financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2011, the CalPERS Schools plan had a funded ratio of 78.7% on a market value of assets basis. The funded ratio as of June 30, 2010, June 30, 2009, June 30, 2008 and June 30, 2007 was 69.5%, 65.0%, 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under such methodology, investment losses are amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period. In March, 2012, the CalPERS Board of Administration adopted new economic actuarial assumptions to be used with the June 30, 2011 actuarial valuation; in particular, lowering the price inflation assumption from 3.00% to 2.75%. Lowering the price inflation assumption resulted in a reduced discount rate, which is the fund's assumed rate of return calculated based on expected price inflation and the expected real rate of return, from 7.75% to 7.5%. According to CalPERS, this reduction in the discount rate is anticipated to increase State and school district employer contributions for each fiscal year beginning in fiscal year 2012-13 by 1.2% to 1.6% for miscellaneous plans (which includes general office and others) and by 2.2 to 2.4% for safety plans beginning in fiscal year 2012-13.

The District's employer contributions to CalPERS for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 were $318,445, $318,822, $341,769 and $325,344, respectively, and were equal to 100% of the required contributions for each year. With the approval of the reduced discount rate, the District's employer contributions to CalPERS is expected to increase beginning in fiscal year 2012-13. The District projects employer contributions to CalPERS of $279,121 for fiscal year 2012-13.

CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from CalPERS Financial Services Division. The information set forth therein is not incorporated by reference in this Official Statement.

PARS. On January 6, 2011, the District adopted PARS for employees to mitigate layoffs and benefit from projected net savings to the District generated from reduced salaries and positions not needing replacement. PARS offers retirement incentives to all eligible classified and certificated employees who wish to voluntarily exercise their option to separate from the District by offering a retirement incentive program supplementing CalPERS and CalSTRS and qualifying under the relevant subsections of Section 403(b) of the Internal Revenue Code. Eligible employees must be employed by the District, be at least 55 years of age, have 10 or more years of District service as of June 30, 2011, and have resigned from District employment on or before June 30, 2011. The cost of $51,573 was paid by the District as of June 30, 2012, for those contracts entered into prior to fiscal year 2011-12.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that will reform pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS, CalPERS and PARS are more fully described in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012, Note 9."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board ("GASB") approved a pair of related statements, Statement Number 67, *Financial Reporting for Pension Plans* ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, *Accounting and Financial Reporting for Pensions* ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, *Accounting for Pensions by State and Local Governmental Employers*, for most government employers. The new statements also replace the requirements of Statement Number 50, *Pension Disclosures*, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 will take effect in fiscal years beginning after June 15, 2013, and Statement Number 68 will take effect in fiscal years beginning after June 15, 2014.

Other Post-Employment Benefits (OPEBs)

In addition to the retirement plan benefits with CalSTRS and CalPERS, the District provides certain post retirement healthcare and other benefits to all employees with at least 5 years full-time service and who have attained the age of 55. For the fiscal year ended June 30, 2012, $49,312 in such post retirement healthcare and other benefits was paid by the District. As of October 1, 2012, 28 retirees met these eligibility requirements and there were 257 eligible active employees. These benefits are described in Note 12 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

GASB released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in the fiscal year ended June 30, 2009.

Total Compensation Systems, Inc., Agoura Hills, California, has prepared an actuarial valuation covering the District's retiree health benefits and reports that, as of October 1, 2012, the District had an unfunded actuarial accrued liability of $1,822,639. According to such actuarial valuation, the District's annual required contribution for fiscal year 2011-12 was $338,539, and the District's net OPEB obligation at June 30, 2012 was $823,133. For more information regarding the actuarial valuation, the District's annual required contribution and the District's net OPEB obligation and prefunding of benefits at June 30, 2012, as well as the basic assumptions upon which the valuation was based, see Note 12 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

Public Entity Risk Pools and Joint Powers Authorities

The District is a member of two joint powers authorities (JPAs): Self Insurance Risk Management Authority for Worker's Compensation and Santa Clarita Valley School Food Services Agency. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

Self Insurance Risk Management Authority (SIRMA) for Worker's Compensation. SIRMA arranges for and provides liability and property insurance for its 12 members. All members except one are public school districts. The one non-public school district member is a JPA consisting of several public school districts. All of the members of SIRMA are located in the northern part of the County.

SIRMA is governed by a board consisting of a representative from each member district. The board controls the operations of SIRMA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in SIRMA.

Santa Clarita Valley School Food Services Agency (SCVSFSA). SCVSFSA provides food service to its five members. All members are public school districts and are located in the northern part of the County. SCVSFSA is governed by a board consisting of a representative from each member district. The board controls the operations of SCVSFSA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays expenses commensurate with the level of food service provided and shares surpluses and deficits proportionately to their participation in SCVSFSA.

For more information regarding the JPAs, see APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012, Note 11."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of

Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment 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.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2011-12 fiscal year are equal to the allowable limit of $24,981,027 and estimates an appropriations limit for the 2012-13 fiscal year of $26,057,611. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

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 ("Article XIIIC" and "Article XIIID," respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

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

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara 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 whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed 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 (collectively, "K-14 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, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9% percentage, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 school Appropriations Limits 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 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 schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) 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, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

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 HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to 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.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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CASTAIC UNION SCHOOL DISTRICT
COUNTY OF LOS ANGELES
CASTAIC, CALIFORNIA

AUDIT REPORT

JUNE 30, 2012

CASTAIC UNION SCHOOL DISTRICT
COUNTY OF LOS ANGELES
JUNE 30, 2012

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Castaic Union School District
Castaic, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and remaining nonmajor funds of the Castaic Union School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and the provisions of U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and remaining nonmajor funds of the Castaic Union School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Notes 1 and 14 to the basic financial statements, the District has revised and reissued the financial statements previously issued on January 17, 2013, due to a restatement of the amount of outstanding accreted interest. The previously issued auditor's report dated January 17, 2013, is not to be relied upon due to the restatement of accreted interest and is replaced by this report.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2013, on our consideration of Castaic Union School District's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required budgetary comparison information, and the schedule of funding progress for the District's postemployment benefits other than pension benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents under the supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 15, 2013

CASTAIC UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

INTRODUCTION

The Castaic Union School District's (the District) goal is to provide children a rigorous education supported by a safe and nurturing environment that maximizes student achievement.

The District is a small school district offering instruction to students from kindergarten through the eighth grade. During the 2011/12 school year the District operated five preschools, three elementary schools, and one middle school on a blended August through June schedule, for the instruction of approximately 3,000 students.

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's Government–Wide Statement of Net Assets shows total net assets of $37,324,114, the result of assets of $76,412,717 minus liabilities of $39,088,603.

General Revenues accounted for $21,726,445 or 87% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and operating grants accounted for $3,131,843 or 13% of total revenues of $24,858,288.

The District had $28,329,188 in expenses related to governmental activities; $3,131,843 of these expenses were offset by program specific revenues (grants, etc.). General revenues (primarily state revenue limit sources and property taxes) of $21,726,445 covered the remaining expenditures.

The General Fund reported a total positive fund balance of $2,151,737.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.

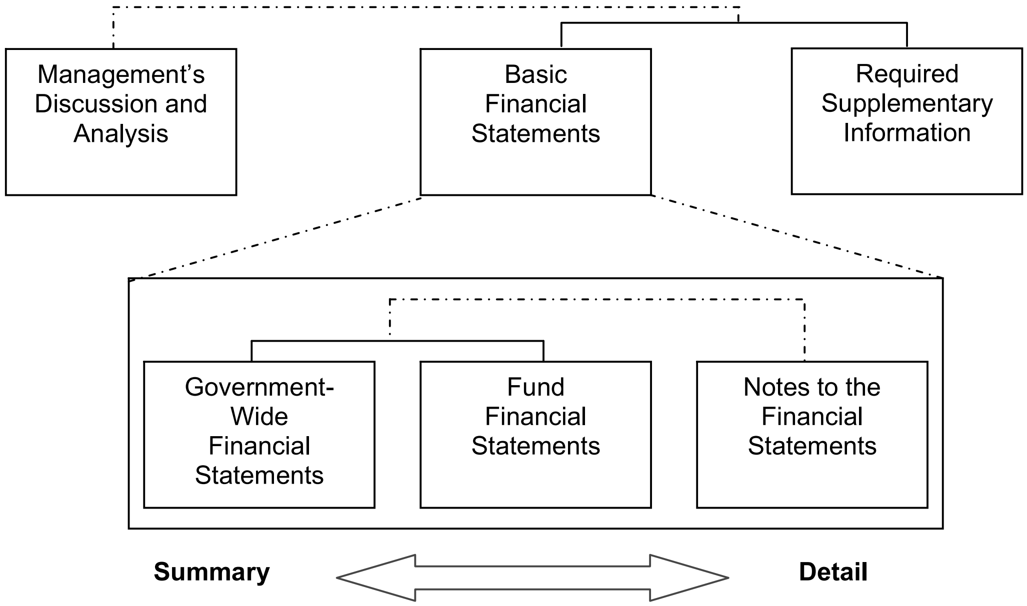
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.

- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

- *Proprietary fund statements* offer *short*- and *long-term* financial information about the activities the government operates *like businesses*, such as fee for service preschool programs.

- *Fiduciary fund statements* provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources in question belong.

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



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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

		Fund Statements		
Type of Statements	**Government-Wide**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: Preschool	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	⬩Statement of net assets ⬩Statement of activities	⬩Balance sheet ⬩Statement of revenues, expenditures, and changes in fund balances	⬩Statement of net assets ⬩Statement of revenues, expenses, and changes in fund net assets ⬩Statement of cash flows	⬩Statement of fiduciary net assets ⬩Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual basis of accounting and current financial resources focus	Accrual basis of accounting and economic resources focus	Accrual basis of accounting economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, enrollment increases/decreases, and federal and state programs.

The government-wide financial statements of the District include the *Governmental Activities*. Most of the District's basic services are included here, such as instruction, curriculum and staff development, health services, and general administration. Revenue limit funding and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds,* not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- ***Governmental Funds*** – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balance left at year-end that is available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explain the relationships (or differences) between them.

- ***Proprietary Funds*** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements provide both long-term and short-term financial information.

- ***Fiduciary Funds*** – The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for the intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were $52,040,608 as of June 30, 2012 (see Table A-1).

Table A-1
Castaic Union School District's Net Assets
(Dollars in Thousands)

	Governmental Activities 2012	Governmental Activities 2011	Business-Type Activities 2012	Business-Type Activities 2011	Total 2012	Total 2011	Total Percentage Change 2012-2011
Current assets:							
Cash and cash equivalents	$ 8,812	$ 14,271	$ (11)	$ 27	$ 8,801	$ 14,298	-38.45%
Accounts receivable	5,309	4,300	-	-	5,309	4,300	23.47%
Inventories - supplies	6	6	-	-	6	6	0.00%
Other assets	59	61	-	-	59	61	-3.28%
Total current assets	14,186	18,638	(11)	27	14,175	18,665	-24.06%
Noncurrent assets:							
Deferred charges	517	559	-	-	517	559	-7.51%
Capital assets Less accumulated depreciation	61,710	63,180	92	67	61,802	63,247	-2.28%
Total noncurrent assets	62,227	63,739	92	67	62,319	63,806	-2.33%
Total assets	76,413	82,377	81	94	76,494	82,471	-7.25%
Current liabilities:							
Accounts payable and accrued liabilities	651	1,132	42	31	693	1,163	-40.41%
Deferred revenue	240	168	-	-	240	168	100.00%
Total current liabilities	891	1,300	42	31	933	1,331	-29.90%
Noncurrent liabilities:							
Due within one year	4,919	2,484	-	-	4,919	2,484	98.03%
Due in more than one year	33,279	22,450	-	-	33,279	22,450	48.24%
Total liabilities	39,089	26,234	42	31	39,131	26,265	48.99%
Net assets:							
Invested in capital assets, net	38,191	38,829	92	68	38,283	38,897	-1.58%
Restricted for:							
Debt service	5,618	6,614	-	-	5,618	6,614	-15.06%
Capital projects	5,693	6,274	-	-	5,693	6,274	-9.26%
Unrestricted	(12,178)	4,426	(53)	(5)	(12,231)	4,421	-376.66%
Total net assets	$ 37,324	$ 56,143	$ 39	$ 63	$ 37,363	$ 56,206	-33.52%

Changes in net assets. The District's total revenues for government-type activities were $24,858,288. A significant portion, 58%, comes from Revenue Limit Sources. The total cost of all government-type programs and services was $28,329,188; 66% of these costs were for instruction and student services. The decrease in net assets was $3,470,900 for 2011/12. The District recorded prior period adjustments to the beginning net assets balance totaling approximately $15 million related primarily to the restatement of accreted interest.

Table A-2
Changes in Castaic Union School District's Net Assets
(Dollars in Thousands)

	Governmental Activities 2012	Governmental Activities 2011	Business-Type Activities 2012	Business-Type Activities 2011	Total 2012	Total 2011	Total Percentage Change 2012-2011
Program revenues:							
Charges for services	$ 214	$ 228	$ 153	$ 191	$ 367	$ 419	-12.41%
Operating grants and contributions	2,918	3,886	-	-	2,918	3,886	-24.91%
Capital grants and contributions	-	-	-	-	-	-	0.00%
General revenues							
State and Federal sources	13,927	14,576	-	-	13,927	14,576	-4.45%
Property taxes	7,383	11,038	-	-	7,383	11,038	-33.11%
Other general revenue	417	465	-	-	417	465	-10.32%
Total revenues	24,859	30,193	153	191	25,012	30,384	-17.68%
Expenses:							
Instruction and instruction-related services	18,878	18,454	204	219	19,082	18,673	2.19%
Pupil services	1,749	1,684	-	-	1,749	1,684	3.86%
General administration	1,962	1,625	-	-	1,962	1,625	20.74%
Plant services	2,523	2,451	-	-	2,523	2,451	2.94%
Other outgo	3,218	3,979	-	-	3,218	3,979	-19.13%
Total expenses	28,330	28,193	204	219	28,534	28,412	0.43%
Increase (decrease) in net assets	(3,471)	2,000	(51)	(28)	(3,522)	1,972	-278.60%
Net Assets Beginning	56,143	54,143	63	91	56,206	54,234	3.64%
Prior Period Adjustment	(15,348)	-	27	-	(15,321)	-	-100.00%
Net Assets as Restated	40,795	54,143	90	91	40,885	54,234	-24.61%
Net Assets Ending	$ 37,324	$ 56,143	$ 39	$ 63	$ 37,363	$ 56,206	-33.52%

Business-Type Activities

Revenues of the District's business-type activities were $153,158. Expenditures were $204,788.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its government funds. As the District completed the year, its governmental funds reported a combined fund balance of $13,534,082. This includes the debt service, special reserve, and building funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2012, the District had invested $61,710,263 (net of depreciation) in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of $1,469,514 or 2.3 percent decrease from last year (Table A-3).

Table A-3
District's Capital Assets
(Dollars in Thousands)

	Governmental Activities 2012	Governmental Activities 2011	Business-Type Activities 2012	Business-Type Activities 2011	Total 2012	Total 2011	Total Percentage Change 2012-2011
Land	$ 24,856	$ 24,856	$ -	$ -	$ 24,856	$ 24,856	0.00%
Sites and improvements	1,928	1,928	-	-	1,928	1,928	0.00%
Buildings and improvements	46,906	47,624	94	94	47,000	47,718	-1.50%
Machinery and equipment	2,902	3,814	21	21	2,923	3,835	-23.78%
Construction in progress	1,512	1,524	-	-	1,512	1,524	-0.79%
Totals	78,104	79,746	115	115	78,219	79,861	-2.06%
Total accumulated depreciation	(16,394)	(16,566)	(23)	(47)	(16,417)	(16,613)	-1.18%
Net capital assets	$ 61,710	$ 63,180	$ 92	$ 68	$ 61,802	$ 63,248	-2.29%

Due to lack of student growth, there was no major construction activity in 2011/12. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-Term Debt

At year-end the District and its Component Units had $23,519,659 in bonds, notes, and capital leases outstanding. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-4
District's Long-Term Debt
(Dollars in Thousands)

	Governmental Activities 2012	Governmental Activities 2011	Business-Type Activities 2012	Business-Type Activities 2011	Total 2012	Total 2011	Total Percentage Change 2012-2011
Certificates of Participation	$ 4,115	$ 4,180	$ -	$ -	$ 4,115	$ 4,180	-1.56%
Mello-Roos Bonds	10,765	11,670	-	-	10,765	11,670	-7.75%
General Obligation Bonds	7,574	8,501	-	-	7,574	8,501	-10.90%
Accreted interest (2011 restated)	14,678	15,045	-	-	14,678	15,045	-2.44%
Total Debt Obligations	37,132	39,396	-	-	37,132	39,396	-5.75%
Compensated Absences	57	49	-	-	57	49	16.33%
Early Retirement Incentive Program	186	-	-	-	186	-	100.00%
Post Employment Benefits	823	534	-	-	823	534	54.12%
Total Employment Obligations	1,066	583	-	-	1,066	583	82.85%
Total District-Wide General Long-Term Debt	$ 38,198	$ 39,979	$ -	$ -	$ 38,198	$ 39,979	-4.45%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

With the passage of Proposition 30, and the Governor's proposed budget, the 2nd Interim Report has more solid numbers. The delay of funds until the end of the fiscal year causes concerns with cash flow, but the issuance of a Tax Revenue Anticipation Note has resolved the cash flow concerns. Essentially, revenues remain constant from the time of the budget adoption in June of 2012. The out years of 2013/14 and 2014/15 still are bleak due to the substantial deficit factor (22.272%). This report has 1.65% COLA calculated for 2013/14. The COLA is included for 2014/15 (2.2%), but that does not reduce the 22.272% deficit factor. According to the Legislative Analyst's Office, the years ahead have a more positive economic outlook; however, as long as the funding is less than 80 cents on the dollar, the District budget remains strained. Deferrals have improved, yet at this time they continue to delay delivery of funds and cause cash flow issues in the upcoming years. We have updated our 2012/13 Budget based on the latest projections we have received from the Los Angeles County Office of Education. The District is able to project a 3% reserve in 2012/13 and the subsequent two years based on the assumptions from the Los Angeles County Office of Education.

<u>Average Daily Attendance (ADA)/Revenue Limit</u>

Our ADA projection for the current year is 2,877, for 2013/14 it is 2,810, and it increases to 2,850 for 2014/15.

<u>2013/14 Budget Assumptions</u>

Income – Unrestricted and Restricted

1. Our ADA projection is 2,810.
2. The Statutory COLA is 1.65%.
3. Lottery income is anticipated to be $124.00 per ADA in the Unrestricted General Fund and $30 per ADA in the Restricted General Fund.
4. Interest rates have been budgeted at 1.0%.
5. Tax Revenue Anticipation Note (TRANs) issue for 2013/14 is indeterminate at this time.
6. Mandated Cost will not be budgeted until actual income is received. The District is considering the Mandate Block Grant.
7. All State Income has no COLA increase calculated for 2013/14.
8. Class Size Reduction funding has been reduced based on anticipated layoffs at the end of the 2012/13 year.
9. Unrestricted Federal Income has been adjusted for sequestration.
10. The Transportation fee collection remains flat.

Expenditures – Unrestricted and Restricted

1. Contract negotiations have not been initiated for this time period.
2. Unrestricted full time equivalent employees have been adjusted to accommodate student enrollment. There are also anticipated retirements and some reductions for attrition and potential layoffs or furloughs if negotiated. A 2% step and column increase has been included. At this time we still have layoffs scheduled to reduce staffing for 2013/14.
3. Excess costs have been reduced by $25,000 due to declining enrollments.
4. 4000's - Instructional Books and Supplies and 5000's - Services and Other Operating Expenditures have been adjusted downward due to declining enrollment and reduced budget.
5. Unrestricted 4000 - Books and Supplies and Unrestricted 5000 - Services and Other Operating Expenditures have been adjusted downward due to declining enrollment and reduced budget.
6. Any furloughs for 2013/14 will be negotiated in the 2012/13 year.
7. The Routine Restricted Maintenance Encroachment has been decreased due to a reduction in the percentage from 3% to 2% as part of the Flexibility Option and reduced expenditures.
8. No funds have been designated for transfer to Deferred Maintenance as part of the Flexibility Option.
9. The total Restricted Encroachment has been decreased from the 2012/13 amount to $1,806,747. A reduction in higher cost students, and other reductions in expenditures are responsible for the decline.
10. The Unencumbered Reserve is estimated at 3.0%

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 questions about this report or need additional financial information, contact the District's Business Services Department at 28131 Livingston Avenue, Valencia, California 91355.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 8,811,940	$ -	$ 8,811,940
Accounts Receivable	5,308,882	-	5,308,882
Stores	5,800	-	5,800
Prepaids	59,027	-	59,027
Deferred Charges	516,805	-	516,805
Capital Assets (Net)	61,710,263	91,997	61,802,260
Total Assets	76,412,717	91,997	76,504,714
LIABILITIES			
Cash and Cash Equivalents Deficit	-	11,522	11,522
Accounts Payable	651,567	41,715	693,282
Unearned Revenue	-	-	-
Interest Payable	239,643	-	239,643
Noncurrent Liabilities:			
Due Within One Year	4,918,816	-	4,918,816
Due in More Than One Year	33,278,577	-	33,278,577
Total Liabilities	39,088,603	53,237	39,141,840
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	38,190,604	91,997	38,282,601
Restricted for:			
Debt Service	5,618,446	-	5,618,446
Capital Projects	5,693,189	-	5,693,189
Unrestricted	(12,178,125)	(53,237)	(12,231,362)
Total Net Assets	$ 37,324,114	$ 38,760	$ 37,362,874

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	$ 16,957,033	$ 114,527	$ 2,173,615	$ -	$ (14,668,891)	$ -	$ (14,668,891)
Instruction-Related Services	1,920,943	938	28,716	-	(1,891,289)	-	(1,891,289)
Pupil Services	1,748,884	79,185	508,505	-	(1,161,194)	-	(1,161,194)
General Administration	1,961,775	-	-	-	(1,961,775)	-	(1,961,775)
Plant Services	2,523,366	-	8,127	-	(2,515,239)	-	(2,515,239)
Other Outgo	3,217,187	18,997	199,233	-	(2,998,957)	-	(2,998,957)
Total Governmental Activities	28,329,188	213,647	2,918,196	-	(25,197,345)	-	(25,197,345)
Business-Type Activities:							
Castaic Community Preschool	204,774	153,158	-	-	-	(51,616)	(51,616)
Total Primary Government	$ 28,533,962	$ 366,805	$ 2,918,196	$ -	(25,197,345)	(51,616)	(25,248,961)
	General Revenues:						
	Taxes and Subventions:						
	Taxes Levied for General Purposes				3,558,910	-	3,558,910
	Taxes Levied for Debt Service				3,800,474	-	3,800,474
	Taxes Levied for Other Specific Purposes				23,589	-	23,589
	Federal and State Aid Not Restricted for Specific Purpose				13,926,619	-	13,926,619
	Interest and Investment Earnings				110,844	-	110,844
	Miscellaneous				306,009	-	306,009
	Total General Revenues				21,726,445	-	21,726,445
	Change in Net Assets				(3,470,900)	(51,616)	(3,522,516)
	Net Assets Beginning				56,142,936	62,940	56,205,876
	Prior Period Adjustment				(15,347,922)	27,436	(15,320,486)
	Net Assets as Restated				40,795,014	90,376	40,885,390
	Net Assets Ending				$ 37,324,114	$ 38,760	$ 37,362,874

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CASTAIC UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	$ 297,788	$ 1,331,985	$ 4,683,847
Accounts Receivable	5,283,946	4,707	7,932
Due from Other Funds	-	3,000,000	-
Stores	5,800	-	-
Other Current Assets	59,027	-	-
TOTAL ASSETS	$ 5,646,561	$ 4,336,692	$ 4,691,779
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 494,824	$ 24,709	$ 4,353
Due to Other Funds	3,000,000	-	-
TOTAL LIABILITIES	3,494,824	24,709	4,353
FUND BALANCES			
Nonspendable			
Revolving Cash	3,000	-	-
Stores Inventory	5,800	-	-
Restricted	364,873	-	-
Committed	-	-	-
Assigned			
Special Revenue Funds	-	-	-
Debt Service Funds	-	-	4,687,426
Capital Projects Funds	-	4,311,983	-
Unassigned	1,778,064	-	-
TOTAL FUND BALANCES	2,151,737	4,311,983	4,687,426
TOTAL LIABILITIES AND FUND BALANCES	$ 5,646,561	$ 4,336,692	$ 4,691,779

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	$ 2,498,320	$ 8,811,940
Accounts Receivable	12,297	5,308,882
Due from Other Funds	-	3,000,000
Stores	-	5,800
Other Current Assets	-	59,027
TOTAL ASSETS	$ 2,510,617	$ 17,185,649
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 127,681	$ 651,567
Due to Other Funds	-	3,000,000
TOTAL LIABILITIES	127,681	3,651,567
FUND BALANCES		
Nonspendable		
Revolving Cash	-	3,000
Stores Inventory	-	5,800
Restricted	-	364,873
Committed	61,219	61,219
Assigned		
Special Revenue Funds	9,491	9,491
Debt Service Funds	931,020	5,618,446
Capital Projects Funds	1,381,206	5,693,189
Unassigned	-	1,778,064
TOTAL FUND BALANCES	2,382,936	13,534,082
TOTAL LIABILITIES AND FUND BALANCES	$ 2,510,617	$ 17,185,649

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Total Fund Balances - Governmental Funds		$ 13,534,082
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is $78,103,656 and the accumulated depreciation is $16,393,393.		61,710,263
Debt issuance costs are expended in governmental funds when paid, however, they are capitalized and amortized over the life of the corresponding debt for purposes of the statement of net assets.		
Deferred charges, net of amortization - Certificates of Participation	$ 283,669	
Deferred charges, net of amortization - Mello-Roos Bonds	233,136	
		516,805
Interest on long-term debt not recognized until the period in which it matures and is paid.		(239,643)
All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of capital leases, compensated absence and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due from payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a current liability in the fund financial statements when due but rather recognized as an expense when paid.		
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Certificates of Participation	4,115,000	
Mello-Roos Bonds	10,765,000	
General Obligation Bonds	7,574,173	
Accreted Interest	14,677,734	
Employee Benefit Obligations	1,065,486	
		(38,197,393)
Total Net Assets - Governmental Activities		$ 37,324,114

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund
REVENUES			
Revenue Limit Sources:			
State Apportionments	$ 11,301,552	$ -	$ -
Local Sources	3,068,416	-	-
Total Revenue Limit Sources	14,369,968	-	-
Federal Revenues	863,760	-	-
Other State Revenues	4,951,687	-	-
Other Local Revenues	540,875	12,970	1,273,447
TOTAL REVENUES	20,726,290	12,970	1,273,447
EXPENDITURES			
Instruction	14,902,558	-	-
Instruction - Related Services	1,920,943	-	-
Pupil Services	1,748,884	-	-
General Administration	1,895,032	-	-
Plant Services	2,259,137	301,025	-
Other Outgo	393,570	-	-
Debt Service:			
Principal	-	-	905,000
Interest	-	-	997,038
TOTAL EXPENDITURES	23,120,124	301,025	1,902,038
Deficiency of Revenues Under Expenditures	(2,393,834)	(288,055)	(628,591)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	2,500,000	-
Transfers Out	-	-	(249,879)
TOTAL OTHER FINANCING SOURCES (USES)	-	2,500,000	(249,879)
Net Change in Fund Balances	(2,393,834)	2,211,945	(878,470)
Fund Balances at Beginning of Year	4,545,571	2,100,038	5,565,896
Fund Balances at End of Year	$ 2,151,737	$ 4,311,983	$ 4,687,426

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Other Governmental Funds	Total Governmental Funds
REVENUES		
Revenue Limit Sources:		
State Apportionments	$ -	$ 11,301,552
Local Sources	-	3,068,416
Total Revenue Limit Sources	-	14,369,968
Federal Revenues	-	863,760
Other State Revenues	117,054	5,068,741
Other Local Revenues	2,679,036	4,506,328
TOTAL REVENUES	2,796,090	24,808,797
EXPENDITURES		
Instruction	144,410	15,046,968
Instruction - Related Services	-	1,920,943
Pupil Services	-	1,748,884
General Administration	66,743	1,961,775
Plant Services	420,251	2,980,413
Other Outgo	202	393,772
Debt Service:		
Principal	991,842	1,896,842
Interest	1,925,217	2,922,255
TOTAL EXPENDITURES	3,548,665	28,871,852
Deficiency of Revenues Under Expenditures	(752,575)	(4,063,055)
OTHER FINANCING SOURCES (USES)		
Transfers In	249,879	2,749,879
Transfers Out	(2,500,000)	(2,749,879)
TOTAL OTHER FINANCING SOURCES (USES)	(2,250,121)	-
Net Change in Fund Balances	(3,002,696)	(4,063,055)
Fund Balances at Beginning of Year	5,385,632	17,597,137
Fund Balances at End of Year	$ 2,382,936	$ 13,534,082

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds		$ (4,063,055)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	$ 15,000	
Current Year Depreciation	(1,418,527)	
		(1,403,527)
Debt issuance costs are expenses on the fund statements. However, in the government-wide activities, the debt issuance costs are allocated over the life of the debt.		
Current year amortization - Certificates of Participation	(13,060)	
Current year amortization - Mello-Roos Bonds	(29,142)	
		(42,202)
Interest expense on long-term debt recognized in the period it becomes due - not paid.		19,231
Issuance of long-term financial obligations is a source of revenue in the governmental funds, but the receipt of these proceeds increases long-term liabilities in the statement of net assets.		
Employee Benefit Obligations	450,511	
		(450,511)
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds until paid.		
The amount by which interest paid exceeded acrued accretion was:		367,448
Repayment of long-term financing obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Certificates of Participation	65,000	
Mello-Roos Bonds	905,000	
General Obligation Bonds	926,842	
Employee Benefit Obligations	204,874	
		2,101,716
Change in Net Assets of Governmental Activities		$ (3,470,900)

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF NET ASSETS
ENTERPRISE FUND
JUNE 30, 2012

	Castaic Community Preschool Fund
ASSETS	
Capital Assets (Net)	$ 91,997
Total Assets	91,997
LIABILITIES	
Cash and Cash Equivalents Deficit	11,522
Accounts Payable	41,715
Total Liabilities	53,237
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	91,997
Unrestricted	(53,237)
Total Net Assets	$ 38,760

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Castaic Community Preschool Fund
OPERATING REVENUES	
Local Revenue	$ 153,158
TOTAL OPERATING REVENUES	153,158
OPERATING EXPENSES	
Classified Personnel Salaries	135,466
Employee Benefits	55,103
Books and Supplies	2,348
Services and Other Operating Expenses	11,857
TOTAL OPERATING EXPENSES	204,774
Net Change in Net Assets	(51,616)
Net Assets at Beginning of Year	62,940
Prior Period Adjustment	27,436
Net Assets at Beginning of Year, as Restated	90,376
Net Assets at End of Year	$ 38,760

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

		Castaic Community Preschool Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	$	153,220
Cash Payments to Employees for Services		(204,774)
Cash Payments to Other Suppliers for Goods and Services		13,375
Net Cash Used by Operating Activities		(38,179)
Net Decrease in Cash and Cash Equivalents		(38,179)
Cash and Cash Equivalents at Beginning of Year		26,657
Cash and Cash Equivalents Deficit at End of Year	$	(11,522)
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(51,616)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation		3,079
Change in Assets and Liabilities:		
Decrease in Receivables		62
Increase in Accounts Payable		10,296
Total Adjustments		13,437
Net Cash Used by Operating Activities	$	(38,179)

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Retiree Benefit Fund	Agency Funds
ASSETS		
Cash in County Treasury	$ 86,396	$ -
Cash on Hand and in Banks	-	103,800
Accounts Receivable	168	201,742
Total Assets	86,564	305,542
LIABILITIES		
Cash Deficit in County Treasury	-	201,742
Due to Student Groups	-	103,800
Total Liabilities	-	305,542
NET ASSETS		
Held in Trust for Pension Benefit	86,564	-
Total Net Assets	$ 86,564	$ -

The accompanying notes are an integral part of these financial statements.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund
ADDITIONS	
Investment Income	$ 810
Total Additions	810
CHANGE IN NET ASSETS	810
Net Assets - Beginning of the Year	85,754
Net Assets - End of the Year	$ 86,564

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Castaic Union 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

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

The District and the Blended Component Unit made up of the Castaic Union School District Facilities Corporation and the Castaic Community Facilities District #92-1 (collectively known as the CFD) have financial and operational relationships which meet the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, for inclusion of certain activities of the Corporations and the CFD as component units of the District. Accordingly, certain financial activities of the Corporation and the CFD have been included in the financial statements of the District. In the fund financial statements, the activity of the CFD is reported in the Debt Service Fund and the Nonmajor Capital Projects Fund.

The following are those aspects of the relationship between the District and the Corporations/CFD which satisfy GASB Statement No. 39 criteria:

- Manifestations of Oversight

  The District's Superintendent and Director of Business Services, function as agents of the Corporations and the CFD. Neither individual receives additional compensation for work performed in this capacity.

  The District exercises significant influence over operations of the Corporations and the CFD as it is anticipated that the District will be the major lessee of all facilities owned by the Corporations and hold title to all assets acquired by the CFD.

- Accountability for Fiscal Matters

  The subject financing arrangement of the Corporations and the CFD must have the consent of the District.

  Any deficits incurred by the Corporations for the subject transactions will be reflected in the lease payments of the District. Any surpluses of the Corporations for the subject transactions revert to the District at the end of the lease period.

  It is anticipated that the District's lease payments will be the major revenue source of the Corporations for the subject transactions.

  The District has assumed a "moral obligation" and potentially a legal obligation, for any debt incurred by the Corporations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity (Continued)

- Scope of Public Service

  The Corporations and the CFD were created for the sole purpose of financially assisting school districts.

  The Corporations are non-profit, public benefit corporations incorporated under the laws of the State of California. The Corporations were formed to provide financing assistance to the District for the construction and acquisition of major capital facilities. Upon completion of the subject transactions the District intends to occupy the Corporations' facilities under a lease-purchase agreement effective through the year 2036. At the end of the lease term, title of the Corporations' property will pass to the District with no additional consideration.

- Financial Presentation

  The subject transactions and the Corporations' financial activity are presented in the financial statements as the Corporate Capital Projects Fund and the Corporate Debt Service Fund. Certificates of Participation issued by the Corporations are included in the Long-Term Debt. Fixed Assets acquired or constructed by the Corporations are included in the Capital Assets.

  The CFD was formed under the Mello-Roos Community Facilities Act of 1982 as amended. It is governed by the Board of Trustees of the District. The CFD derives its revenue from a special tax that is levied upon property within the District, and the tax revenue will be used to pay debt service on bonds to be issued by the CFD. Net proceeds of the bond issue will be used to acquire land and to construct school facilities for the District. The CFD, under current accounting principles generally accepted in the United States of America, is considered to be a component unit of the District; therefore, the information contained herein should be included in the annual financial report of the District.

  The subject transactions and the CFD's financial activity are presented in the financial statements as the Capital Projects Fund and the Debt Service Fund. Bonds issued by the CFD are included in the long-term debt. Capital assets acquired or constructed by the CFD are included in the capital assets.

C. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District and its component units.

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

C. Basis of Presentation (Continued)

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

As discussed in Note 14 to the financial statements, the District has revised and reissued the financial statements previously issued on January 17, 2013, due to a restatement of accreted interest.

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 nonmajor funds are aggregated into one column. The Enterprise Fund is presented on the proprietary fund statements. 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 financial uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Fiduciary funds are reported using the economic resources measurement focus.

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. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used of 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 of accounting, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

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

Expenses/Expenditures:

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

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 balance or net assets, revenues, and expenditures or expenses, as appropriate. 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, nonmajor, proprietary, and fiduciary funds as follows:

MAJOR GOVERNMENTAL FUNDS

1. 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.

2. Building Fund is used to account for the General Obligation Bond proceeds and the related new school site acquisition and construction.

3. Special Reserve Fund for Capital Outlay Projects Fund is used to account for the construction, acquisition, or lease of major capital improvements or equipment by the District.

4. Debt Service Fund is used to account for the collection of special tax assessments and repayment of the Mello-Roos Bonds issued by the CFD.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

NONMAJOR 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 nonmajor special revenue funds:

1. Child Development Fund is used to account for revenues and expenditures related to the State of California Preschool Program.

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

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

1. Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the principal and interest payments of, the General Obligation Bonds.

2. Corporate Debt Service Fund is used to account for the repayment of principal and interest related to the certificates of participation.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general capital assets. The District maintains three nonmajor capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

2. County School Facilities Fund is used to account for Proposition 1A funds received from the Office of Public Schools Construction. These funds will be used for school growth construction under the State match program.

3. Capital Projects Fund is used to account for the acquisition and construction of District facilities financed through the issuance of the CFD.

PROPRIETARY FUND

Enterprise Fund (Castaic Community Preschool Fund) is financed and operated in a manner similar to that employed by private business enterprises; that is, the Board of Trustees' intent is that the costs (expenses, including depreciation) of providing goods or services can be financed or recovered through charges to users. The District maintains the childcare before and after school (parent paid) program as the Castaic Community Preschool Fund.

FIDUCIARY FUNDS

1. Pension Trust Funds are used to account for assets held by the District as a Trustee. The District maintains one expendable trust fund, Retiree Benefit, which is used to provide contingency reserves for District employee benefits.

2. Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains five agency funds, one for each school's student body and one agency fund for the Warrant Pass-Through Fund. The Warrant Pass-Through Fund is used to hold dedicated funds for payroll and related expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

These budgets are revised by the District's Board of Trustees and the District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

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

G. Assets, Liabilities, and Fund Balance

1. Deposits and Investments

The District's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

Cash balances held in banks and in revolving funds are insured up to $250,000 for interest bearing accounts, and non-interest bearing accounts have unlimited insurance by the Federal Depository Insurance Corporation (FDIC).

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

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

2. Eliminations/Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables and payables. These interfund receivables and payables are eliminated on the Government-Wide Statement of Net Assets.

3. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve that indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Fund Balance (Continued)

4. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Description	Estimated Useful Lives
Site Improvements	20 – 30 years
Building and Improvements	25 – 50 years
Furniture and Equipment	5 – 15 years
Vehicles	10 years

5. Payables, Accrued Liabilities, and Long-Term Debt Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of capital leases, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a current liability in the fund financial statements when due but rather recognized as an expense when paid.

6. 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.

7. Compensated Absences

All vacation pay, plus related payroll taxes, is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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, since 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.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Fund Balance (Continued)

9. Postemployment Benefits Other than Pensions

The District accounts for postemployment health insurance premiums in accordance with GASB Statement No. 45. The District pays healthcare premiums as they become due and records a liability for the difference between actual expenditures and the annual required contribution as determined biannually by an actuarial study.

10. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Trustees) and that remain binding unless removed in the same manner. Committed fund balance does not lapse at year-end. The formal action must occur prior to the end of the reporting period. However, the amount which will be subject to the constraint may be determined in the subsequent period. The formal action required to commit fund balance shall be the Board of Trustees resolution.

- *Assigned fund balance* – amounts that are constrained by the District's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The Board of Trustees delegated authority to assign fund balance for a specific purpose to the Chief Business Official of the District.

- *Unassigned fund balance* – the residual classification for the District's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

Minimum Fund Balance Policy:

The District maintains a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Fund Balance (Continued)

11. Revenue Limit/Property Tax

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

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

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

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

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.

H. New Accounting Pronouncements

GASB Statement No. 57 – *Other Post Employment Benefits (OPEB) Measurements by Agent Employers and Agent Multiple-Employer Plans.* The requirements of this statement are effective for financial statement periods beginning after June 15, 2011.

GASB Statement No. 57 is related to the frequency and timing of measurements effective for actuarial valuations first used to report funded status information in OPEB plan financial statements. GASB Statement No. 57 does not have an effect on the District.

GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an Amendment of GASB Statement No. 53.* The provisions of this statement are to be implemented as of June 30, 2012; however, this provision is not applicable to the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Future Governmental Accounting Standards Board Statements

GASB Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. GASB Statement No. 60 will not have an effect on the District.

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. The District has elected to not early implement GASB Statement No. 61 and has not determined its effect on the District financial statements.

GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements – Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. However, as the statement codifies what is in current practice, there is no net effect on the District's accounting or financial reporting upon the statement's implementation.

GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net Assets with a Statement of Net Position upon implementation for periods beginning after December 15, 2011. The District has not determined its effect on the financial statements.

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The District has not determined its effect on the financial statements.

GASB Statement No. 66 – *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62* is used to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The District has not determined its effect on the financial statements.

GASB Statement No. 67 – *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* improves financial reporting by state and local governmental pension plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The District does not expect the implementation of this statement to have a material effect on the financial statements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* improves accounting and financial reporting by state and local governments for pensions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The District has not determined its effect on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 or expenses, as appropriate, during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

General

The District has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires investments of governmental agencies to be reported at fair value. However, investment pools, such as a state or county treasury, may report the value of short-term investments with remaining maturities of less than 90 days at amortized costs. The majority of the County Treasury investments have a remaining maturity of less than 90 days. In addition, GASB Statement No. 31 does not apply to immaterial cost/value differences.

The District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, as of July 1, 2004. GASB Statement No. 40 requires governmental entities to assess categories of risk associated with their deposits and investments and disclose these risks.

Unrestricted

Cash and cash equivalents consisted of the following at June 30, 2012:

	Governmental Funds	Business Type Activities	Government-Wide Totals	Fiduciary Funds	Retiree Benefit Fund
Cash on Hand and in Banks	$ 3,000	$ 1,339	$ 4,339	$ 103,800	$ -
Cash with Fiscal Agent	1,239,807	-	1,239,807	-	-
Pooled Investments	7,569,133	(12,861)	7,556,272	(201,742)	86,396
Total	$ 8,811,940	$ (11,522)	$ 8,800,418	$ (97,942)	$ 86,396

All cash and time deposits are entirely insured or collateralized. The California Government Code requires state banks to secure District deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the District's deposits. The District may waive collateral requirements for deposits that are fully insured up to $250,000 by the FDIC.

The surplus funds of the District may be invested in any of the approved investments contained in the California Government Code Sections 53600 et seq., limited further by the investment policy adopted by the District.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investments Authorized by California Government Code and the District's Investment Policy

The District's investment policy authorizes investment in the local government investment pool administered by the County. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Additionally, the District may invest idle or surplus funds in accordance with California Government Code Section 53601. The following represents permissible investments per this code section:

- Local agency bonds, notes, or warrants within the State
- United States Treasury instruments
- Registered State warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers' acceptances
- Commercial paper
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium-term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificates of Participation
- Obligations with first priority security
- Collateralized mortgage obligations

Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Disclosures Relating to 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. As of fiscal year-end, the weighted average maturity of the investments contained in the County Investment Pool is approximately fourteen (14) months, and held by fiscal agents is approximately thirteen (13) months.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

	Maturity Date	Carrying Amount	Fair Value Adjustment	Fair Value
County Treasury Government-Wide	14 month average	$ 7,556,272	$ -	$ 7,556,272
County Treasury Fiduciary Fund	14 month average	$ (201,742)	$ -	$ (201,742)
County Treasury Pension Trust Fund	14 month average	$ 86,396	$ -	$ 86,396
Fiscal Agents	13 month average	$ 1,239,807	$ -	$ 1,239,807

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Disclosures Relating to Credit Risk

Generally, 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 County Investment Pool does not have a rating provided by a nationally recognized statistical rating organization.

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 that stipulated by the California Government Code.

Investments in any one issuer that represent 5% or more of total investments by reporting unit are as follows:

As of June 30, 2012, $7,440,926 of the cash and cash equivalents are held in the form of a nonnegotiable unrated investment in the County Investment Pool.

As of June 30, 2012, $1,347,946 of the cash and cash equivalents are held in the form of an unrated investment in the U.S. Bank.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits nor will it be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions were in excess of federal depository insurance limits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as the County Investment Pool.

Investment in the County Investment Pool

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds, except for the payroll-clearing fund, which is credited to the General Fund. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2012, expenditures exceeded final appropriations in individual funds as follows:

Appropriations Category		Excess Expenditures
Debt Service Fund	Transfers Out	$ 249,879
Deferred Maintenance Fund	Services and Other Operating Expenditures	33,841
Corporate Debt Service Fund	Principal	65,000
	Interest and Fiscal Charges	185,044
Capital Projects Fund	Services and Other Operating Expenditures	143
Enterprise Fund	Services and Other Operating Expenditures	3,077

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2012, consist of the following:

	Governmental Funds				
	General Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Federal Government:					
Federal Financial Assistance Programs	$ 612,905	$ -	$ -	$ -	$ 612,905
Total Federal	612,905	-	-	-	612,905
State Government:					
State Financial Assistance Programs	892,797	-	-	-	892,797
State Apportionment Revenue Limit	3,675,645	-	-	-	3,675,645
Total State	4,568,442	-	-	-	4,568,442
Local Receivables:					
Local Sources	102,599	-	-	-	102,599
Interest Receivable	-	4,707	7,932	12,297	24,936
Total Local	102,599	4,707	7,932	12,297	127,535
Total Accounts Receivable	$ 5,283,946	$ 4,707	$ 7,932	$ 12,297	$ 5,308,882

NOTE 4 – ACCOUNTS RECEIVABLE (Continued)

	Enterprise Fund		
	Castaic Community Preschool	Government-Wide Totals	Fiduciary Funds
Federal Government:			
Federal Financial Assistance Programs	$ -	$ 612,905	$ -
Total Federal	-	612,905	-
State Government:			
State Financial Assistance Programs	-	892,797	-
State Apportionment Revenue Limit	-	3,675,645	-
Total State	-	4,568,442	-
Local Receivables:			
Local Sources	-	102,599	-
Interest Receivable	-	24,936	201,910
Total Local	-	127,535	201,910
Total Accounts Receivable	$ -	$ 5,308,882	$ 201,910

NOTE 5 – INTERFUND TRANSACTIONS

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

Due From/Due to Other Funds – Individual fund interfund receivable and payable balances at June 30, 2012, are as follows:

	Interfund	
Funds	Receivables	Payables
Special Reserve for Capital Outlay Projects Fund	$ 3,000,000	$ -
General Fund	-	3,000,000
	$ 3,000,000	$ 3,000,000

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

Interfund Transfers – Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers at June 30, 2012, were as follows:

Transfers In	Transfers Out	Amount
Governmental Funds:		
1. Special Reserve for Capital Outlay Projects Fund	Building Fund	$ 2,500,000
2. Corporate Debt Service Fund	Debt Service Fund	249,879
	Total Transfers	$ 2,749,879

Interfund transfers for the June 30, 2012, fiscal year were as follows:

1. Transfer from Building Fund to Special Reserve for Capital Outlay Projects Fund to provide additional resources for capital outlay.
2. Transfer from Blended Component Unit - Debt Service Fund to Corporate Debt Service Fund to provide for debt service payments.

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

The changes in capital assets relating to the governmental activities for the year ended June 30, 2012, are shown below:

	Balance July 1, 2011	Prior Period Adjustment	July 1, 2011 Restated	Reclassifications	Additions	Deductions	Balance June 30, 2012
Land	$ 24,855,648	$ -	$ 24,855,648	$ -	$ -	$ -	$ 24,855,648
Sites and Improvements	1,927,768	-	1,927,768	-	-	-	1,927,768
Buildings and Improvements	47,624,444	(718,743)	46,905,701	-	-	-	46,905,701
Machinery and Equipment	3,814,073	(772,376)	3,041,697	-	15,000	(155,000)	2,901,697
Construction in Progress	1,523,642	(10,800)	1,512,842	-	-	-	1,512,842
Totals	79,745,575	(1,501,919)	78,243,656	-	15,000	(155,000)	78,103,656
Less: Accumulated Depreciation							
Sites and Improvements	(3,387,358)	-	(3,387,358)	2,027,587	(80,883)	-	(1,440,654)
Buildings and Improvements	(10,267,667)	343,784	(9,923,883)	(1,999,853)	(998,663)	-	(12,922,399)
Machinery and Equipment	(2,910,773)	1,092,148	(1,818,625)	(27,734)	(338,981)	155,000	(2,030,340)
Totals	(16,565,798)	1,435,932	(15,129,866)	-	(1,418,527)	155,000	(16,393,393)
Governmental Activities Capital Assets - Net	$ 63,179,777	$ (65,987)	$ 63,113,790	$ -	$ (1,403,527)	$ -	$ 61,710,263

Depreciation expense was charged to Governmental Activities as follows:

Instruction	$ 1,300,682
Transportation	117,845
Total Depreciation Expense	$ 1,418,527

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (Continued)

The changes in capital assets relating to the Enterprise Fund (Castaic Community Preschool Fund) for the year ended June 30, 2012, are presented below:

	Balance July 1, 2011	Prior Period Adjustment	July 1, 2011 Restated	Additions	Deductions	Balance June 30, 2012
Buildings and Improvements	$ 93,992	$ -	$ 93,992	$ -	$ -	$ 93,992
Equipment	20,607	-	20,607	-	-	20,607
Totals	114,599	-	114,599	-	-	114,599
Accumulated Depreciation	(46,959)	27,436	(19,523)	(3,079)	-	(22,602)
Net Capital Assets	$ 67,640	$ 27,436	$ 95,076	$ (3,079)	$ -	$ 91,997

NOTE 7 – BONDED DEBT

Bonds payable at June 30, 2012, are shown below:

CERTIFICATES OF PARTICIPATION

On July 17, 2002, the District (Corporation Debt Services Fund) issued Certificates of Participation in the amount of $22,000,000 with interest rates initially calculated using a weekly rate (variable rate). The District may elect in the future to convert all or a portion of the Certificates of Participation from one variable rate mode to another or to a fixed rate in accordance with the trust agreement. At June 30, 2011, the District issued 2010 Refunding Certificates of Participation to legally defease the 2002 Certificates of Participation. The 2010 Refunding Certificates of Participation were issued in a principal amount of $4,180,000 with interest rates ranging from 2.0 to 5.125 percent. At June 30, 2012, the principal balance outstanding of the Refunding Certificates of Participation was $4,115,000.

The Certificates of Participation mature through 2034 as follows:

Year Ended June 30,	Principal	Interest	Total
2013	$ 75,000	$ 183,644	$ 258,644
2014	80,000	181,694	261,694
2015	90,000	179,144	269,144
2016	100,000	176,294	276,294
2017	105,000	173,219	278,219
2018-2022	685,000	802,159	1,487,159
2023-2027	1,025,000	627,959	1,652,959
2028-2032	1,495,000	320,953	1,815,953
2033-2034	460,000	31,263	491,263
Total	$ 4,115,000	$ 2,676,329	$ 6,791,329

NOTE 7 – BONDED DEBT (Continued)

MELLO-ROOS BONDS

In 1992, the CFD of the District issued Mello-Roos Bonds pursuant to the Mello-Roos Communities Facilities Act of 1982 in the amount of $19,500,000 with interest rates ranging from 5.50 to 9.00 percent. The Mello-Roos Bonds are payable from certain proceeds of special taxes levied on owners of the land within the CFD. At June 30, 2012, the principal balance outstanding was $10,765,000.

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2012, are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	$ 985,000	$ 958,575	$ 1,943,575
2014	1,070,000	874,850	1,944,850
2015	1,160,000	783,900	1,943,900
2016	1,260,000	679,500	1,939,500
2017	1,375,000	466,100	1,841,100
2018-2020	4,915,000	909,900	5,824,900
Total	$ 10,765,000	$ 4,672,825	$ 15,437,825

GENERAL OBLIGATION BONDS

On March 2, 1993, the registered voters of the District authorized the issuance and sale of up to $20,115,000 principal amount of General Obligation Bonds. On July 1, 1993, the District sold $14,071,425 of “Series A” general obligation bonds for the purpose of acquiring a site and constructing a new District middle school. On March 1, 1995, the District sold $6,039,716 of “Series B” general obligation bonds for the construction of the new District Middle School. The future principal and interest repayment of the general obligation bonds are as follows:

Series A Bonds Year Ended June 30,	Principal	Interest	Total
2013	$ 756,906	$ 1,591,063	$ 2,347,969
2014	792,027	1,809,455	2,601,482
2015	827,147	2,049,546	2,876,693
2016	864,690	2,319,536	3,184,226
2017	903,443	2,619,243	3,522,686
2018-2020	944,619	2,955,381	3,900,000
Total	$ 5,088,832	$ 13,344,224	$ 18,433,056

Series B Bonds Year Ended June 30,	Principal	Interest	Total
2013	$ 195,489	$ 382,994	$ 578,483
2014	196,587	422,073	618,660
2015	196,587	461,346	657,933
2016	197,685	505,917	703,602
2017	198,783	553,643	752,426
2018-2020	1,500,210	5,170,076	6,670,286
Total	$ 2,485,341	$ 7,496,049	$ 9,981,390

NOTE 7 – BONDED DEBT (Continued)

GENERAL OBLIGATION BONDS (Continued)

Combined Series A and B Bonds Year Ended June 30,	Principal	Interest	Total
2013	$ 952,395	$ 1,974,057	$ 2,926,452
2014	988,614	2,231,528	3,220,142
2015	1,023,734	2,510,892	3,534,626
2016	1,062,375	2,825,453	3,887,828
2017	1,102,226	3,172,886	4,275,112
2018-2020	2,444,829	8,125,457	10,570,286
Total	$ 7,574,173	$ 20,840,273	$ 28,414,446

NOTE 8 – LONG-TERM DEBT SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2012, is shown below:

Governmental Activities

	Balance July 1, 2011	Prior Period Adjustment	July 1, 2011 Restated	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Certificates of Participation	$ 4,180,000	$ -	$ 4,180,000	$ -	$ 65,000	$ 4,115,000	$ 75,000
Mello-Roos Bonds	11,670,000	-	11,670,000	-	905,000	10,765,000	985,000
General Obligation Bonds	8,501,015	-	8,501,015	-	926,842	7,574,173	952,395
Acrreted interest	-	15,045,182	15,045,182	1,372,725	1,740,173	14,677,734	1,974,057
Sub-Total Debt Obligations	24,351,015	15,045,182	39,396,197	1,372,725	3,637,015	37,131,907	3,986,452
Compensated Absences	49,190	-	49,190	111,972	103,989	57,173	57,173
Early Retirement Incentive Program	-	236,753	236,753	-	51,573	185,180	52,058
Post Employment Benefits	533,906	-	533,906	338,539	49,312	823,133	823,133
Sub-Total Employment Obligations	583,096	236,753	819,849	450,511	204,874	1,065,486	932,364
Total	$ 24,934,111	$ 15,281,935	$ 40,216,046	$ 1,823,236	$ 3,841,889	$ 38,197,393	$ 4,918,816

Accreted Interest

The accreted interest balance of $ $14,677,734 at June 30, 2012, represents accumulated accreted interest related to the General Obligation Bonds. Unaccreted interest at June 20, 2012, is $6,162,540 and will accrue through the date of the bond maturity and accumulated accreted interest will be paid according the maturity schedule presented in Note 7 above.

NOTE 9 – EMPLOYEE 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 and classified employees are members of the California Public Employees' Retirement System.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the STRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.00% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011/12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ended June 30, 2012, 2011, and 2010 were $1,039,595, $1,063,238, and $1,103,947, respectively, and equal 100% of the required contributions for each year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the 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 7.00% of their salary (7% of monthly salary over $133.33 if the member participates in Social Security), 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 rate for fiscal year 2011/12 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were $325,344, $341,769, and $318,822, respectively, and equal 100% of the required contributions for each year.

Early Retirement Incentive Programs

On January 6, 2011, the District adopted the Public Agency Retirement Services (PARS) for employees to mitigate layoffs and benefit from projected net savings to the District generated from reduced salaries and positions not needing replacement. PARS offers retirement incentives to all eligible classified and certificated employees who wish to voluntarily exercise their option to separate from the District by offering a retirement incentive program supplementing CalPERS and STRS and qualifying under the relevant subsections of Section 403(b) of the Internal revenue Service. Eligible employees must be employed by the District, be at least fifty-five years of age, have ten or more years of District service as of June 30, 2011, and have resigned from District employment by the end of the 2011 school year - on or before June 30, 2011. The cost of $51,573 was paid by the District as of June 30, 2012, for those contracts entered into prior to 2011/12.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

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

NOTE 11 – JOINT VENTURES (JOINT POWERS AGREEMENT)

The District participates in two joint ventures under joint powers agreements (JPAs): Self Insurance Risk Management Authority for Workers' Compensation and Santa Clarita Valley School Food Services Agency. The relationship between the District and the JPAs is such, that the JPAs are not considered component units of the District for financial reporting purposes.

A. Self Insurance Risk Management Authority (SIRMA) Liability and Property Protection – The SIRMA arranges for and provides liability and property insurance for its twelve (12) members.

Acton-Agua Dulce Unified School District
Antelope Valley Community College District
Antelope Valley Schools Transportation Agency
Castaic Union School District
Eastside Union School District
Gorman School District
Guidance Charter School
Hughes-Elizabeth Lakes Union School District
Keppel Union School District
Lancaster School District
Saugus Union School District
Sulphur Springs Union School District

All members except one are public school districts. The one nonpublic school district member is a JPA consisting of several public school districts. All of the members of the SIRMA for Workers' Compensation are located in the northern part of the County.

The SIRMA is governed by a board consisting of a representative from each member district. The board controls the operations of the SIRMA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the SIRMA.

B. Santa Clarita Valley School Food Services Agency (SCVSFSA) – The SCVSFSA provides food service to its five (5) members:

Castaic Union School District
Newhall School District
Saugus Union School District
Sulphur Springs Union School District
Acton – Agua Dulce Unified School District

All members are public school districts and are located in the northern part of the County.

The SCVSFSA is governed by a board consisting of a representative from each member district. The board controls the operations of the SCVSFSA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays expenses commensurate with the level of food service provided and shares surpluses and deficits proportionately to their participation in the SCVSFSA.

NOTE 11 – JOINT VENTURES (JOINT POWERS AGREEMENT) (Continued)

Audited condensed financial information of SIRMA (Workers' Compensation) and SCVSFSA for the current year available is as follows:

	June 30, 2011	
	SIRMA Liability and Property Protection	Santa Clarita Valley School Food Services Agency
Total Assets	$ 2,120,865	$ 3,681,048
Total Liabilities	(857,893)	(536,341)
Fund Equity/Retained Earnings	$ 1,262,972	$ 3,144,707
Total Revenues	$ 2,789,434	$ 9,176,913
Total Expenditures	(2,455,292)	(9,026,455)
Net Increase in Fund Equity/Retained Earnings	$ 334,142	$ 150,458

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 9, the District provides post retirement health care and other benefits to all employees with at least 5 years full-time service and who have attained the age of 55. For the fiscal year ending June 30, 2012, $49,312 in post retirement health care benefits was paid by the District.

A. Plan Description

Following is a description of the current retiree benefit plan:

	Certificated	**Classified**	**Management**
Benefit Types Provided	Medical only	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime	Lifetime
Required Service	5 years	5 years	5 years
Minimum Age	55	50	50
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	CalPERS minimum employer contributions	CalPERS minimum employer contributions	CalPERS minimum employer contributions

B. Funding Policy

As required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, an actuary will determine the District's Annual Required Contributions (ARC) at least once every two fiscal years. The plan's most recent actuarial valuation was performed as of October 1, 2012. As a result, significant estimates related to OPEB may not accurately reflect current economic trends and assumptions. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

B. Funding Policy (Continued)

GASB Statement No. 45 does not require pre-funding of OPEB benefits. Therefore, the District's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The District has elected not to establish an irrevocable trust at this time.

The Board of Trustees reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District.

C. Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2012, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation:

Item	**June 30, 2012**
ARC	$ 338,539
Annual OPEB cost (expense)	338,539
Contributions made	(49,312)
Increase in Net OPEB Obligation	289,227
Net OPEB Obligation – beginning of year	533,906
Net OPEB Obligation – end of year	$ 823,133

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation for the fiscal year ended June 30, 2012, are as follows:

Fiscal Year Ended	**Annual OPEB Cost**	**Actual Contribution**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
6/30/10	$ 177,046	$ 25,240	14.26%	$ 311,448
6/30/11	$ 263,886	$ 41,428	15.70%	$ 533,906
6/30/12	$ 338,539	$ 49,312	14.57%	$ 823,133

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, was as follows:

Actuarial Valuation Date	**Actuarial Value of Assets**	**Projected Unit Credit Actuarial Accrued Liability (AAL)**	**Unfunded AAL (UAAL)**	**Funded Ratio**	**Covered Payroll**	**UAAL as a Percentage of Covered Payroll**
February 1, 2008	$ -	$ 1,427,022	$ 1,427,022	0.00%	$ 18,297,479	7.80%
October 1, 2010	$ -	$ 2,494,996	$ 2,494,996	0.00%	$ 17,006,832	14.67%
October 1, 2012	$ -	$ 3,269,472	$ 3,269,472	0.00%	$ 16,515,686	19.80%

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

D. Funded Status and Funding Progress (Continued)

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. Amounts determined regarding the funded status of the plan and the ARC of the District 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 following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. 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 methods and assumptions used include techniques that are designed to reduce short-term volatility in AAL and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of October 1, 2012. In that valuation, the entry age normal cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), a 3 percent payroll increase, and a 4 percent health inflation. These assumptions reflect an implicit 3.0 percent general inflation assumption. The District's UAAL is being amortized as a level dollar amount on an open basis over 30 years.

NOTE 13 – LITIGATION/PROPERTY, LIABILITY, AND CIVIL ACTIONS

The District has been named as defendant in several legal actions. While the dollar amounts requested in these matters are unknown, the probable outcome and/or any determined District liability cannot be assessed. It is unlikely that any adverse decisions, should they occur, will exceed the District's liability insurance limitations.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The District's beginning net assets have been restated to reflect a prior period adjustment of the year:

Net Assets - Governmental Activities	$ 56,142,936
Net Assets - Governmental Activities at June 30, 2011, as previously reported	
Prior Period Adjustments:	
Adjustments to Capital Assets in a Prior Period	(65,987)
Adjustments to Long-Term Debt and Accreted Interest in a Prior Period	(15,281,935)
Net Assets - Governmental Activities at June 30, 2011, as restated	$ 40,795,014

Net Assets - Business-Type Activities	$ 62,940
Net Assets - Business-Type Activities at June 30, 2011, as previously reported	
Prior Period Adjustments:	
Adjustments to Capital Assets in a Prior Period	27,436
Net Assets - Business-Type Activities at June 30, 2011, as restated	$ 90,376

Subsequent to the issuance of our report dated January 17, 2013, the District discovered the accumulated accreted interest on its General Obligation Bonds was not reported on the government-wide statement of net assets. As a result, we reissued the financial statements to include $14,677,734 of additional long-term debt, of which $1,974,057 is due within one year. The statement of activities was updated to reflect the difference between the interest accreted and the amount paid of $367,448, which is recorded in "Other Outgo." Additionally, the prior period adjustment line item on the statement of activities was updated to reflect the balance of $15,045,182 of accreted interest at the beginning of the period. This restatement did not have an effect on the fund financial statements.

NOTE 15 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, have been evaluated for possible adjustments to the financial statements or disclosures is March 15, 2013, which is the date that the financial statements were available to be issued. There were no events brought to our attention that were deemed to be reportable at that time.

REQUIRED SUPPLEMENTARY INFORMATION

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (By Object)
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Revenue Limit Sources:				
State Apportionments	$ 11,403,115	$ 10,876,031	$ 11,301,552	$ 425,521
Local Sources	3,158,400	3,111,741	3,068,416	(43,325)
Total Revenue Limit Sources	14,561,515	13,987,772	14,369,968	382,196
Federal Revenues	611,171	757,646	863,760	106,114
Other State Revenues	4,698,389	4,698,389	4,951,687	253,298
Other Local Revenues	614,896	614,896	540,875	(74,021)
TOTAL REVENUES	20,485,971	20,058,703	20,726,290	667,587
EXPENDITURES				
Certificated Salaries	12,079,605	12,581,570	12,561,092	20,478
Classified Salaries	3,676,877	3,620,877	3,610,022	10,855
Employee Benefits	3,764,544	3,822,740	3,804,793	17,947
Books and Supplies	618,641	624,510	624,510	-
Services and Other Operating Expenditures	1,678,385	2,126,137	2,126,137	-
Other Outgo	325,000	425,000	393,570	31,430
TOTAL EXPENDITURES	22,143,052	23,200,834	23,120,124	80,710
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,657,081)	(3,142,131)	(2,393,834)	748,297
OTHER FINANCING SOURCES				
Transfers In	150,000	150,000	-	(150,000)
TOTAL OTHER FINANCING SOURCES	150,000	150,000	-	(150,000)
Net Change in Fund Balances	(1,507,081)	(2,992,131)	(2,393,834)	598,297
Fund Balances at Beginning of Year	4,545,571	4,545,571	4,545,571	-
Fund Balances at End of Year	$ 3,038,490	$ 1,553,440	$ 2,151,737	$ 598,297

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
SPECIAL RESERVE FOR CAPITAL OUTLAY PROJECTS FUND (By Object)
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Other Local Revenues	$ 35,000	$ 35,000	$ 12,970	$ (22,030)
TOTAL REVENUES	35,000	35,000	12,970	(22,030)
EXPENDITURES				
Classified Salaries	119,500	70,362	70,362	-
Employee Benefits	36,715	21,698	21,698	-
Books and Supplies	-	9,785	9,785	-
Services and Other Operating Expenditures	-	20,611	20,611	-
Capital Outlay	-	178,569	178,569	-
TOTAL EXPENDITURES	156,215	301,025	301,025	-
Deficiency of Revenues Under Expenditures	(121,215)	(266,025)	(288,055)	(22,030)
OTHER FINANCING SOURCES				
Operating Transfers In	-	3,000,000	2,500,000	(500,000)
TOTAL OTHER FINANCING SOURCES	-	3,000,000	2,500,000	(500,000)
Net Change in Fund Balances	(121,215)	2,733,975	2,211,945	(522,030)
Fund Balances at Beginning of Year	2,100,038	2,100,038	2,100,038	-
Fund Balances at End of Year	$ 1,978,823	$ 4,834,013	$ 4,311,983	$ (522,030)

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
BLENDED COMPONENT UNIT – DEBT SERVICE FUND (By Object)
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Other Local Revenues	$ -	$ -	$ 1,273,447	$ 1,273,447
TOTAL REVENUES	-	-	1,273,447	1,273,447
EXPENDITURES				
Debt Service:				
Principal	905,000	905,000	905,000	-
Interest and Fiscal Charges	1,295,000	1,296,423	997,038	299,385
TOTAL EXPENDITURES	2,200,000	2,201,423	1,902,038	299,385
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,200,000)	(2,201,423)	(628,591)	1,572,832
OTHER FINANCING SOURCES				
Transfers Out	-	-	(249,879)	(249,879)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(249,879)	(249,879)
Net Change in Fund Balances	(2,200,000)	(2,201,423)	(878,470)	1,322,953
Fund Balances at Beginning of Year	5,565,896	5,565,896	5,565,896	-
Fund Balances at End of Year	$ 3,365,896	$ 3,364,473	$ 4,687,426	$ 1,322,953

CASTAIC UNION SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
February 1, 2008	$ -	$ 1,427,022	$ 1,427,022	0.0%	$ 18,297,479	7.80%
October 1, 2010	$ -	$ 2,494,996	$ 2,494,996	0.0%	$ 17,006,832	14.67%
October 1, 2012	$ -	$ 3,269,472	$ 3,269,472	0.0%	$ 16,515,686	19.80%

COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES AS SUPPLEMENTARY INFORMATION

CASTAIC UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 126,358	$ 931,020	$ 1,440,942	$ 2,498,320
Accounts Receivable	9,705	-	2,592	12,297
TOTAL ASSETS	$ 136,063	$ 931,020	$ 1,443,534	$ 2,510,617
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 65,353	$ -	$ 62,328	$ 127,681
TOTAL LIABILITIES	65,353	-	62,328	127,681
FUND BALANCES				
Committed	61,219	-	-	61,219
Assigned	9,491	931,020	1,381,206	2,321,717
TOTAL FUND BALANCES	70,710	931,020	1,381,206	2,382,936
TOTAL LIABILITIES AND FUND BALANCES	$ 136,063	$ 931,020	$ 1,443,534	$ 2,510,617

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BY FUNCTION)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Other State Revenues	$ 101,530	$ 15,524	$ -	$ 117,054
Other Local Revenues	53,151	2,534,654	91,231	2,679,036
TOTAL REVENUES	154,681	2,550,178	91,231	2,796,090
EXPENDITURES				
Instruction	144,410	-	-	144,410
General Administration	-	-	66,743	66,743
Plant Services	103,186	-	317,065	420,251
Other Outgo	-	-	202	202
Debt Service:				
Principal	-	991,842	-	991,842
Interest	-	1,925,217	-	1,925,217
TOTAL EXPENDITURES	247,596	2,917,059	384,010	3,548,665
Deficiency of Revenues Under Expenditures	(92,915)	(366,881)	(292,779)	(752,575)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	249,879	-	249,879
Transfers Out	-	-	(2,500,000)	(2,500,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	249,879	(2,500,000)	(2,250,121)
Net Change in Fund Balances	(92,915)	(117,002)	(2,792,779)	(3,002,696)
Fund Balances at Beginning of Year	163,625	1,048,022	4,173,985	5,385,632
Fund Balances at End of Year	$ 70,710	$ 931,020	$ 1,381,206	$ 2,382,936

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Child Development Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and Cash Equivalents	$ 65,438	$ 60,920	$ 126,358
Accounts Receivable	9,406	299	9,705
TOTAL ASSETS	$ 74,844	$ 61,219	$ 136,063
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 65,353	$ -	$ 65,353
Total Liabilities	65,353	-	65,353
FUND BALANCES			
Committed	-	61,219	61,219
Assigned	9,491	-	9,491
Total Fund Balances	9,491	61,219	70,710
TOTAL LIABILITIES AND FUND BALANCES	$ 74,844	$ 61,219	$ 136,063

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BY FUNCTION)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Child Development Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
REVENUES			
Other State Revenues	$ 101,530	$ -	$ 101,530
Other Local Revenues	51,691	1,460	53,151
Total Revenues	153,221	1,460	154,681
EXPENDITURES			
Instruction	144,410	-	144,410
Plant Services	8,127	95,059	103,186
Total Expenditures	152,537	95,059	247,596
Net Change in Fund Balances	684	(93,599)	(92,915)
Fund Balances at Beginning of Year	8,807	154,818	163,625
Fund Balances at End of Year	$ 9,491	$ 61,219	$ 70,710

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BY OBJECT)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Child Development Fund			Deferred Maintenance Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
REVENUES						
Other State Revenues	$ 150,000	$ 101,530	$ (48,470)	$ -	$ -	$ -
Other Local Revenues	-	51,691	51,691	-	1,460	1,460
Total Revenues	150,000	153,221	3,221	-	1,460	1,460
EXPENDITURES						
Classified Salaries	102,404	102,404	-	-	-	-
Employee Benefits	20,693	20,693	-	-	-	-
Books and Supplies	12,785	12,785	-	-	-	-
Services and Other Operating Expenditures	16,655	16,655	-	61,218	95,059	(33,841)
Total Expenditures	152,537	152,537	-	61,218	95,059	(33,841)
Net Change in Fund Balances	(2,537)	684	3,221	(61,218)	(93,599)	(32,381)
Fund Balances at Beginning of Year	8,807	8,807	-	154,818	154,818	-
Fund Balances at End of Year	$ 6,270	$ 9,491	$ 3,221	$ 93,600	$ 61,219	$ (32,381)

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BY OBJECT) (Continued)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Totals		
	Final Budget	Actual	Variance with Final Budget
REVENUES			
Other State Revenues	$ 150,000	$ 101,530	$ (48,470)
Other Local Revenues	-	53,151	53,151
Total Revenues	150,000	154,681	4,681
EXPENDITURES			
Classified Salaries	102,404	102,404	-
Employee Benefits	20,693	20,693	-
Books and Supplies	12,785	12,785	-
Services and Other Operating Expenditures	77,873	111,714	(33,841)
Total Expenditures	213,755	247,596	(33,841)
Net Change in Fund Balances	(63,755)	(92,915)	(29,160)
Fund Balances at Beginning of Year	163,625	163,625	-
Fund Balances at End of Year	$ 99,870	$ 70,710	$ (29,160)

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2012

	Bond Interest and Redemption Fund	Corporate Debt Service Fund	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents	$ 546,389	$ 384,631	$ 931,020
TOTAL ASSETS	$ 546,389	$ 384,631	$ 931,020
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Total Liabilities	$ -	$ -	$ -
FUND BALANCES			
Assigned	546,389	384,631	931,020
Total Fund Balances	546,389	384,631	931,020
TOTAL LIABILITIES AND FUND BALANCES	$ 546,389	$ 384,631	$ 931,020

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BY FUNCTION)
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Bond Interest and Redemption Fund	Corporate Debt Service Fund	Total Nonmajor Debt Service Funds
REVENUES			
Other State Revenues	$ 15,524	$ -	$ 15,524
Other Local Revenues	2,534,641	13	2,534,654
Total Revenues	2,550,165	13	2,550,178
EXPENDITURES			
Debt Service:			
Principal	926,842	65,000	991,842
Interest and Fiscal Charges	1,740,173	185,044	1,925,217
Total Expenditures	2,667,015	250,044	2,917,059
Deficiency of Revenues Under Expenditures	(116,850)	(250,031)	(366,881)
OTHER FINANCING SOURCES			
Transfers In	-	249,879	249,879
Total Other Financing Sources	-	249,879	249,879
Net Change in Fund Balances	(116,850)	(152)	(117,002)
Fund Balances at Beginning of Year	663,239	384,783	1,048,022
Fund Balances at End of Year	$ 546,389	$ 384,631	$ 931,020

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BY OBJECT)
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Bond Interest and Redemption Fund			Corporate Debt Service Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
REVENUES						
Other State Revenues	$ -	$ 15,524	$ 15,524	$ -	$ -	$ -
Other Local Revenues	2,582,259	2,534,641	(47,618)	-	13	13
Total Revenues	2,582,259	2,550,165	(32,094)	-	13	13
EXPENDITURES						
Debt Service:						
Principal	926,842	926,842	-	-	65,000	(65,000)
Interest and Fiscal Charges	1,740,173	1,740,173	-	-	185,044	(185,044)
Total Expenditures	2,667,015	2,667,015	-	-	250,044	(250,044)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,756)	(116,850)	(32,094)	-	(250,031)	(250,031)
OTHER FINANCING SOURCES						
Transfers In	-	-	-	-	249,879	249,879
Total Other Financing Sources	-	-	-	-	249,879	249,879
Net Change in Fund Balances	(84,756)	(116,850)	(32,094)	-	(152)	(152)
Fund Balances at Beginning of Year	663,239	663,239	-	384,783	384,783	-
Fund Balances at End of Year	$ 578,483	$ 546,389	$ (32,094)	$ 384,783	$ 384,631	$ (152)

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BY OBJECT) (Continued)
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Totals		
	Final Budget	Actual	Variance with Final Budget
REVENUES			
Other State Revenues	$ -	$ 15,524	$ 15,524
Other Local Revenues	2,582,259	2,534,654	(47,605)
Total Revenues	2,582,259	2,550,178	(32,081)
EXPENDITURES			
Debt Service:			
Principal	926,842	991,842	(65,000)
Interest and Fiscal Charges	1,740,173	1,925,217	(185,044)
Total Expenditures	2,667,015	2,917,059	(250,044)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,756)	(366,881)	(282,125)
OTHER FINANCING SOURCES			
Transfers In	-	249,879	249,879
Total Other Financing Sources	-	249,879	249,879
Net Change in Fund Balances	(84,756)	(117,002)	(32,246)
Fund Balances at Beginning of Year	1,048,022	1,048,022	-
Fund Balances at End of Year	$ 963,266	$ 931,020	$ (32,246)

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund	Total
ASSETS					
Cash and cash equivalents	$ 851,342	$ 236,721	$ 73,017	$ 279,862	$ 1,440,942
Accounts Receivable	1,645	454	141	352	2,592
TOTAL ASSETS	$ 852,987	$ 237,175	$ 73,158	$ 280,214	$ 1,443,534
FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 40,548	$ 21,780	$ -	$ -	$ 62,328
Total Liabilities	40,548	21,780	-	-	62,328
FUND BALANCES					
Assigned	812,439	215,395	73,158	280,214	1,381,206
TOTAL LIABILITIES AND FUND BALANCES	$ 852,987	$ 237,175	$ 73,158	$ 280,214	$ 1,443,534

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BY FUNCTION)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund	Total
REVENUES					
Other Local Revenues	$ 25,532	$ 63,305	$ 684	$ 1,710	$ 91,231
Total Revenues	25,532	63,305	684	1,710	91,231
EXPENDITURES					
General Administration	-	66,743	-	-	66,743
Plant Services	291,854	25,211	-	-	317,065
Other Outgo	-	-	-	202	202
Total Expenditures	291,854	91,954	-	202	384,010
Excess (Deficiency) of Revenues Over (Under) Expenditures	(266,322)	(28,649)	684	1,508	(292,779)
OTHER FINANCING USES					
Transfers Out	(2,500,000)	-	-	-	(2,500,000)
Total Other Financing Uses	(2,500,000)	-	-	-	(2,500,000)
Net Change in Fund Balances	(2,766,322)	(28,649)	684	1,508	(2,792,779)
Fund Balances at Beginning of Year	3,578,761	244,044	72,474	278,706	4,173,985
Fund Balances at End of Year	$ 812,439	$ 215,395	$ 73,158	$ 280,214	$ 1,381,206

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BY OBJECT)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Fund			Capital Facilities Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
REVENUES						
Other Local Revenues	$ 325,000	$ 25,532	$ (299,468)	$ -	$ 63,305	$ 63,305
Total Revenues	325,000	25,532	(299,468)	-	63,305	63,305
EXPENDITURES						
Classified Salaries	36,340	36,340	-	-	-	-
Employee Benefits	10,349	10,349	-	-	-	-
Services and Other Operating Expenditures	7,883	7,883	-	81,154	81,154	-
Capital Outlay	237,282	237,282	-	10,800	10,800	-
Total Expenditures	291,854	291,854	-	91,954	91,954	-
Excess (Deficiency) of Revenues Over Expenditures	33,146	(266,322)	(299,468)	(91,954)	(28,649)	63,305
OTHER FINANCING USES						
Transfers Out	(3,000,000)	(2,500,000)	500,000	-	-	-
Total Other Financing Uses	(3,000,000)	(2,500,000)	500,000	-	-	-
Net Change in Fund Balances	(2,966,854)	(2,766,322)	200,532	(91,954)	(28,649)	63,305
Fund Balances at Beginning of Year	3,578,761	3,578,761	-	244,044	244,044	-
Fund Balances at End of Year	$ 611,907	$ 812,439	$ 200,532	$ 152,090	$ 215,395	$ 63,305

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BY OBJECT) (Continued)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	County School Facilities Fund			Capital Projects Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
REVENUES						
Other Local Revenues	$ -	$ 684	$ 684	$ -	$ 1,710	$ 1,710
Total Revenues	-	684	684	-	1,710	1,710
EXPENDITURES						
Classified Salaries	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-
Services and Other Operating Expenditures	-	-	-	59	202	(143)
Capital Outlay	-	-	-	-	-	-
Total Expenditures	-	-	-	59	202	(143)
Excess (Deficiency) of Revenues Over Expenditures	-	684	684	(59)	1,508	1,567
OTHER FINANCING USES						
Transfers Out	-	-	-	-	-	-
Total Other Financing Uses	-	-	-	-	-	-
Net Change in Fund Balances	-	684	684	(59)	1,508	1,567
Fund Balances at Beginning of Year	72,474	72,474	-	278,706	278,706	-
Fund Balances at End of Year	$ 72,474	$ 73,158	$ 684	$ 278,647	$ 280,214	$ 1,567

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BY OBJECT) (Continued)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Totals		
	Final Budget	Actual	Variance with Final Budget
REVENUES			
Other Local Revenues	$ 325,000	$ 91,231	$ (233,769)
Total Revenues	325,000	91,231	(233,769)
EXPENDITURES			
Classified Salaries	36,340	36,340	-
Employee Benefits	10,349	10,349	-
Services and Other Operating Expenditures	89,096	89,239	(143)
Capital Outlay	248,082	248,082	-
Total Expenditures	383,867	384,010	(143)
Excess (Deficiency) of Revenues Over Expenditures	(58,867)	(292,779)	(233,912)
OTHER FINANCING USES			
Transfers Out	(3,000,000)	(2,500,000)	500,000
Total Other Financing Uses	(3,000,000)	(2,500,000)	500,000
Net Change in Fund Balances	(3,058,867)	(2,792,779)	266,088
Fund Balances at Beginning of Year	4,173,985	4,173,985	-
Fund Balances at End of Year	$ 1,115,118	$ 1,381,206	$ 266,088

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS (BY OBJECT) – BUDGET AND ACTUAL
CASTAIC COMMUNITY PRESCHOOL FUND – ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance with Final Budget
OPERATING REVENUES			
Local Revenue	$ 217,000	$ 153,158	$ (63,842)
TOTAL OPERATING REVENUES	217,000	153,158	(63,842)
OPERATING EXPENSES			
Classified Personnel Salaries	135,466	135,466	-
Employee Benefits	55,103	55,103	-
Books and Supplies	2,348	2,348	-
Services and Other Operating Expenses	8,780	11,857	(3,077)
TOTAL OPERATING EXPENDITURES	201,697	204,774	(3,077)
Change in Net Assets	15,303	(51,616)	(66,919)
Net Assets at Beginning of Year	62,940	62,940	-
Prior Period Adjustment	27,436	27,436	-
Net Assets at Beginning of Year, as Restated	90,376	90,376	-
Net Assets at End of Year	$ 105,679	$ 38,760	$ (66,919)

The accompanying notes are an integral part of this financial statement.

CASTAIC UNION SCHOOL DISTRICT
COMBINING STATEMENT OF AGENCY FUND NET ASSETS
JUNE 30, 2012

	Warrant/ Pass-Through Fund	Student Body Funds	Total Agency Funds
ASSETS			
Cash on Hand and in Banks	$ -	$ 103,800	$ 103,800
Accounts Receivable	201,742	-	201,742
Total Assets	201,742	103,800	305,542
LIABILITIES			
Cash Deficit in County Treasury	201,742	-	201,742
Due to Student Groups	-	103,800	103,800
Total Liabilities	$ 201,742	$ 103,800	$ 305,542

The accompanying notes are an integral part of this financial statement.

SUPPLEMENTARY INFORMATION

CASTAIC UNION SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2012

The Castaic Union School District (the District) was established on March 25, 1889. The District is currently operating one middle school and three elementary schools. There were no changes in school boundaries during the year.

The members of the Board of Trustees of the District holding office during the audit period and their respective expiration dates of terms of office were as follows:

NAME	OFFICE	TERM EXPIRES
Victor Torres	President	December 2013
David Huffaker	Clerk	December 2015
Susan Christopher	Member	December 2013
Laura Pearson	Member	December 2013
Steve Teeman	Member	December 2015

ADMINISTRATION

James M. Gibson
Superintendent

Janene Maxon
Assistant Superintendent of Educational Services

Lisa Bloom
Director of Instruction and Special Projects

Tracy Peyton-Perry
Director of Student Support Services

Stephanie Fields
Supervisor of Preschool Programs

Mark Evans
Director of Fiscal Services

CASTAIC UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	289.46	290.02
First through Third	876.28	875.33
Fourth through Sixth	919.55	919.42
Seventh and Eighth	684.27	680.05
Special Education and Home and Hospital	90.47	92.91
Total Elementary	2,860.03	2,857.73

	Hours of Attendance	
	Second Period Report	Annual Report
SUMMER SCHOOL		
Elementary	-	-

See the accompanying notes to the supplementary information.

CASTAIC UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1986-87 Minutes Requirement*	1982-83 Actual Minutes	2011-12 Actual Minutes	Number of Days Traditional Calendar*	Status
Kindergarten	39,472	41,760	54,690	175	In compliance
Grade 1	49,000	46,080	54,690	175	In compliance
Grade 2	49,000	46,080	54,690	175	In compliance
Grade 3	49,000	46,080	54,690	175	In compliance
Grade 4	52,500	53,260	54,690	175	In compliance
Grade 5	52,500	53,260	54,690	175	In compliance
Grade 6	52,500	53,260	55,740	175	In compliance
Grade 7	52,500	53,260	55,740	175	In compliance
Grade 8	52,500	53,260	55,740	175	In compliance

* The District reduced days of instruction and the equivalent number of instructional minutes as set forth in Education Code Sections 41420, 46200, 46200.5, 46201, 46201.5, 42602, and 47612.5.

CASTAIC UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

General Fund	(Budgeted) 2013	2012	2011	2010
Revenues and Other Financial Sources	$ 21,323,445	$ 20,726,290	$ 22,843,908	$ 25,096,173
Expenditures	$ 22,277,262	$ 23,120,124	$ 23,342,928	$ 24,011,922
Other Uses and Transfers Out	-	-	-	-
Total Outgo	$ 22,277,262	$ 23,120,124	$ 23,342,928	$ 24,011,922
Change in Fund Balance	$ (953,817)	$ (2,393,834)	$ (499,020)	$ 1,084,251
Ending Fund Balance	$ 1,197,920	$ 2,151,737	$ 4,545,571	$ 5,044,591
Available Reserves	$ 1,197,920	$ 1,778,064	$ 4,171,898	$ 5,035,791
Unassigned Fund Balance	$ 1,197,920	$ 1,778,064	$ 4,171,898	$ 5,035,791
Available Reserves as a Percentage of Total Outgo	5.38%	7.69%	17.87%	20.97%
Total Long-Term Debt	$ 35,252,634	$ 38,197,393	$ 40,216,046	$ 26,572,920
Average Daily Attendance at P-2	2,886	2,860	2,886	3,079

General Fund:

Available reserves have decreased by $3,257,727 since 2010. As measured as a percentage of total outgo, available reserves have decreased from 20.97% to 7.69% over the past three years.

Long-Term Debt:

Certificates of Participation debt represents 10.77% while the General Obligation Bonds, accreted interest, and Mello-Roos Bonds represent 86.44% of the total outstanding debt obligations of the District.

Attendance:

The average daily attendance (ADA) has decreased by 0.90% during the past year, which reflects a decrease of 26. Over the past three years, the ADA has decreased by 219 (7.11%).

See the accompanying notes to the supplementary information.

CASTAIC UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

Ending Fund Balance:

Ending fund balance of the General Fund at June 30, 2012, has been reserved and assigned as follows:

Nonspendable for Revolving Cash	$	3,000
Nonspendable for Stores Inventories		5,800
Restricted		364,873
Unassigned		1,778,064
	$	2,151,737

CASTAIC UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education:			
IDEA Part B:			
Local Assistance	84.027*	33100	$ 345,126
Preschool Local Entitlement	84.027*	33200	48,322
Sub-Total 84.027			393,448
IDEA Part B:			
ARRA Local Assistance	84.391*	33130	4,373
ARRA Local Assistance Private School	84.391*	33140	38
ARRA State Preschool	84.391*	33240	453
Sub-Total 84.391			4,864
IDEA Part B:			
Federal Preschool	84.173*	33150	21,017
Preschool Staff Development	84.173*	33450	296
Sub-Total 84.173			21,313
Total Special Education Cluster (IDEA)			419,625
ARRA SFSF	84.394	32000	147,286
Total State Fiscal Stabilization Fund Cluster			147,286
IASA Title II - Enhancing Education Through Technology	84.318	40450	515
NCLB ARRA - Title II - Enhancing Ed Through Technology	84.386	40470	2,746
Total Educational Technology State Grants Cluster			3,261
Education Jobs Money	84.410	32050	54,048
NCLB IASA Title II - Teacher Quality	84.367	40350	43,328
NCLB Title II, Part A, Teacher Quality	84.367	40360	3,000
NCLB Title III - Limited English Proficiency	84.365	42030	52,957
U.S. Department of Agriculture			
Passed through California Department of Education:			
Forest Reserve	10.665	None	46,616
Total Forest Service Schools and Roads Cluster			46,616
U.S. Department of Health and Human Services			
Passed through California Department of Education			
Medi-Cal Billing Option	93.778	56400	93,639
Total Medicaid Cluster			93,639
Total Expenditures of Federal Awards			$ 863,760

* Major Programs

See the accompanying notes to the supplementary information.

CASTAIC UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Corporate Debt Service Fund	Castaic Community Preschool Enterprise Fund
June 30, 2012, Annual Financial and Budget Report (SACS) Fund Balance	$ -	$ 14,402
Adjustments and Reclassifications:		
Increasing (Decreasing) the Fund Balance:		
Cash with Fiscal Agency - Understated	384,631	-
Capital Assets - Overstated	-	24,358
Net Adjustments and Reclassifications	384,631	24,358
June 30, 2012, Audited Financial Statements Fund Balance	$ 384,631	$ 38,760

	Long-Term Debt
June 30, 2012, Annual Financial and Budget Report Total Liabilities	$ 24,933,931
Adjustments and Reclassifications:	
Increasing (Decreasing) Total Liabilities:	
Certificates of Participation - Overstated	(64,820)
Mello-Roos Bonds Payable CFD - Understated	(905,000)
General Obligation Bonds - Understated	(926,842)
Accreted Interest - Understated	14,677,734
Compensated Absences - Overstated	7,983
Early Retirement Incentive Program - Overstated	185,180
Post Employment Benefits - Overstated	289,227
Net Adjustments and Reclassifications	13,263,462
June 30, 2012, Audited Financial Statements, General Long-Term Debt Total Liabilities	$ 38,197,393

See the accompanying notes to the supplementary information.

CASTAIC UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012

No charter schools are chartered by Castaic Union School District.

Charter Schools	Included in Audit?
None	N/A

See the accompanying notes to the supplementary information.

CASTAIC UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of Castaic Union School District (the District). The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs. Average daily attendance is based on the Second Period Report for the period ending April 15, and the Annual Report for the period ending June 30.

B. Schedule of Instructional Time

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 42601.

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

C. Schedule of Financial Trends and Analysis

This schedule provides disclosures of financial trends by displaying past years' data along with current year budget information. These disclosures are consistent with the responsibility to evaluate the District's ability to continue as a going concern for a reasonable period of time.

D. Schedule of Expenditures of Federal Awards

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

E. Reconciliation of Annual Financial And Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities of the general long-term debt account group for governmental and business-type activities as reported on the audited financial statements.

F. Schedule of Charter Schools

This schedule provides information as to any charter schools charted by the District and whether these charter schools are included in the District's audit report.

OTHER INDEPENDENT AUDITOR'S REPORTS

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

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BROWN ARMSTRONG
Certified Public Accountants

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

Board of Trustees
Castaic Union School District
Castaic, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and remaining nonmajor funds of the Castaic Union School District, as of and for the year ended June 30, 2012, which collectively comprise the Castaic Union School District's basic financial statements and have issued our report thereon dated March 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Castaic Union School District is responsible for establishing and maintaining effective internal control over finical reporting. In planning and performing our audit, we considered the Castaic Union School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Castaic Union School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Castaic Union School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Castaic Union School District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2012-01 to be a material weakness.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

Compliance and Other Matters

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

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 15, 2013

BROWN
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Castaic Union School District
Castaic, California

Compliance

We have audited the Castaic Union School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Castaic Union School District's major federal programs for the year ended June 30, 2012. The Castaic Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Castaic Union School District's management. Our responsibility is to express an opinion on the Castaic Union School District's compliance based on our audit.

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

In our opinion, the Castaic Union School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Castaic Union School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. In planning and performing our audit, we considered the Castaic Union School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Castaic Union School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 15, 2013

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Castaic Union School District
Castaic, California

We have audited the Castaic Union School District's compliance with the applicable requirements as listed in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, published by the Education Audit Appeals Panel, as of and for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the Castaic Union School District's management. Our responsibility is to express an opinion on the Castaic Union School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the procedures performed as described below. An audit includes examining, on a test basis, evidence about the Castaic Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Castaic Union School District's compliance with those requirements.

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

Description	Procedures In Controller's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	N/A
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials General Requirement	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

Description	Procedures In Controller's Audit Guide	Procedures Performed
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement – Receipt of Funds	1	Yes
Juvenile Court Schools	8	N/A
Exclusion of Pupils – Pertussis Immunization	2	Yes
Class Size Reduction Program (Including Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	N/A
Districts or Charter Schools with One School Serving K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Contemporaneous Records of Attendance, for Charter Schools	3	N/A
Mode of Instruction, for Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	N/A
Annual Instructional Minutes – Classroom-Based, for Charter Schools	4	N/A

In our opinion, the District complied, in all material respects, with the State laws and regulations referred to above for the year ended June 30, 2012.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 15, 2013

FINDINGS AND RECOMMENDATIONS SECTION

CASTAIC UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	None

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	None
• Reportable conditions identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to federal awards?	None
Type of auditor's report issued on compliance for major federal programs:	Unqualified
Any federal award audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)	None

Major programs are:

(1) IDEA Part B: Local Assistance and Preschool Local Entitlement (CFDA Number 84.027)

(2) IDEA Part B: ARRA Local Assistance and ARRA State Preschool (CFDA Number 84.391)

(3) IDEA Part B: Federal Preschool and Preschool Staff Development (CFDA Number 84.173)

The threshold for distinguishing type A and B programs was $300,000.

Castaic Union School District has been determined to be a low risk auditee.

State Awards

Internal control over state programs:	
• Material weakness identified?	None
• Reportable conditions identified that are not considered to be material weaknesses?	None
Type of auditor's report issued on compliance for state awards	Unqualified

II. Financial Statements Findings and Questioned Costs

2012-01
Audit Finding Code: 30000 Internal Control

Criteria:
The government-wide financial statements are required to be prepared using the economic resources measurement focus on a full accrual basis. As such, all accrued liabilities and general long-term obligations of the Castaic Union School District (the District) should be recorded in the government-wide financial statements. Accounting principles generally accepted in the United States of America require interest expense to be accrued over the term of the related outstanding debt, regardless of when it is required to be paid.

Condition Found:
Although the future debt service requirements were appropriately disclosed in Note 7 to the financial statements, the District did not record the accumulated accreted interest on the 1993 Series A and Series B General Obligation Bonds in the government-wide statement of net assets.

Effect:
Long-term liabilities in the government-wide statement of net assets were understated by approximately $15 million due to the omission of accumulated accreted interest expense.

Cause:
The 1993 General Obligation Bonds Series A and Series B outstanding as of June 30, 2012, are capital appreciation term bonds. In accordance with the bond agreements, interest was not required to be paid from the time of issuance through the 2011 fiscal year. At the time of the bond issuance and in subsequent periods, the District did not identify and properly record the annual interest accrual related to unpaid accreted interest. Annual statements are not received from the District's fiscal agent responsible for the bond administration, which may have identified the difference in the amounts reported when reconciled to the government-wide financial statements.

Recommendation:
The District has identified the problem in the accounting treatment of the outstanding accreted interest and made appropriate corrections to the government-wide financial statements. We recommend that the District obtain statements from the fiscal agent of the bond annually and ensure all amounts are appropriately reconciled to the government-wide financial statements.

Views of Responsible Officials and Corrective Action Plan:
The District does not concur with this finding of fault with internal controls. The misstatement of the accreted interest is correct; however, the internal controls accurately reported all information provided to the District by the Los Angeles County Treasurer. Because the bonds were issued before June 30, 1995, there are no Annual Disclosure Statements produced each year. Unlike the Certificates of Participation and the Community Facilities Districts, the District does not receive statements from the bank on outstanding balances and interest paid or accreted.

The charts used in the audit, Note 7, were created in 2003 by the prior auditors. The template was carried forward annually by the District and the auditors even after the auditors changed to the current auditors in 2008 and the Director of Fiscal Services changed in 2009. The finding that internal control was the cause of the misstatement is inaccurate. Internal Control, as well as External Controls, used the information available, and in turn the accreted interest was misstated.

The District promptly addressed this concern when discovered in February of 2013. Immediately, the accumulated obligations from the accreted interest were calculated and addressed. The District worked closely with the current auditors and its Financial Advisors to properly account for these outstanding amounts. With the current knowledge the District will continue to review and update the financial data annually. The District will collaborate with their auditors and financial advisor to assure the accreted interest is accurately reported and reflected in the financial statements, and they will work with the Los Angeles County Treasurer and the fiscal agent to receive copies of the statements.

III. Federal Awards Findings and Questioned Costs

None.

IV. State Award Findings and Questioned Costs

None.

V. A Summary of Prior Audit (all June 30, 2011) Findings and Current Year Status Follows

Number:

2011-1

Finding Code:

70000 Instructional Materials

State Program:

Instructional Materials – Award Year 2010/2011

Criteria:

In accordance with Education Code Section 19828.4 Instructional Materials, the Castaic Union School District is required to hold a public hearing on or before the end of the eighth week from the first day pupils attended school for that year regarding Instructional Materials. The governing board of the Castaic Union School District is also required to make a determination through a resolution stating each pupil enrolled in a foreign language or health course had sufficient textbooks or instructional materials that were consistent with the content and cycles of the curriculum frameworks adopted by the State Board of Education for those subjects.

Condition:

The Castaic Union School District did not hold a public hearing on or before the end of the eighth week of the start of the school regarding the sufficiency of textbooks or other instructional materials. It also did not include the required statement expressly stating that each pupil enrolled in a foreign language or health course had sufficient textbooks or instructional materials that were consistent with the content and cycles of the curriculum frameworks adopted by the State Board of Education for those subjects.

Effect:

The Castaic Union School District is not in compliance with the Education Code Section 19828.4 Instructional Materials and Instructional Materials Funding Realignment allowance received may be disallowed.

Cause:

The Castaic Union School District did not hold the public hearing within the timeframe allowed and the statement in the School Board resolution did not contain the required statements pursuant to the Education Code.

Questioned Costs:

There are no questioned costs as the Castaic Union School District and the Los Angeles County Office of Education approved an Instructional Material Sufficiency Waiver of Retroactive Audit Penalty Request.

Recommendation:

We recommend the Castaic Union School District ensure that the correct statements are included in the School Board resolution and ensure that the public hearing is held on or before the eighth week from the first day of school.

Castaic Union School District Response:

The Castaic Union School District drafted the resolution incorrectly and it was unintentional. The Castaic Union School District will ensure that the correct approach is handled going forward. The Castaic Union School District's earlier start time in August has resulted in the eight weeks finishing earlier, so the September board meeting will now be the standard month for submitting this resolution. The past practice of October is now too far into the year. Additionally, the Business Services and Educational Services departments have improved communication and included it on each department's task list for September to assure proper processing as was done for this 2011/12 school year. As mentioned under "Questioned Costs," the Castaic Union School District and the Los Angeles County Office of Education approved an Instructional Material Sufficiency Waiver of Retroactive Audit Penalty Request.

Current Year:

Castaic Union School District is in compliance.

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2013 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2013 Bonds in substantially the following form:

[Delivery Date]

Castaic Union School District
Valencia, California

Castaic Union School District
General Obligation Bonds, Election of 2012, Series 2013
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Castaic Union School District (the "District") in connection with the issuance by the District, which is located in the County of Los Angeles (the "County"), of $10,535,000 aggregate principal amount of Castaic Union School District General Obligation Bonds, Election of 2012, Series 2013 (the "Bonds"), representing part of an issue authorized at an election held in the District on November 6, 2012. The Bonds are issued under and pursuant to a resolution of the Board of Trustees of the District adopted on February 21, 2013 (the "Bond Resolution").

In such connection, we have reviewed the Bond Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the District, certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts in the State of

California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated April 2, 2013, relating to the Bonds, or other offering material relating to the Bonds, and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District.

2. The Bond Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

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

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate"), dated April 16, 2013, is executed and delivered by the Castaic Union School District (the "District") in connection with the issuance of $10,535,000 aggregate principal amount of Castaic Union School District General Obligation Bonds, Election of 2012, Series 2013 (the "Bonds"). 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 Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Bonds are issued pursuant to the Resolution adopted by the Board of Trustees of the District on February 21, 2013 (the "District Resolution").

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

"Annual Report" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Annual Report Date" means the date in each year that is nine months after the end of the District's fiscal year, which date, as of the date of this Disclosure Certificate, is April 1.

"Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" means Applied Best Practices, LLC, a California limited liability company, 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) or (b) hereof.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" means the Official Statement, dated April 2, 2013 (including all exhibits or appendices thereto), relating to the offering and sale of Bonds.

"Owner" means the person in whose name any Bond shall be registered.

"Participating Underwriter" means 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 to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof, not later than the Annual Report Date, commencing with the report for the 2012-13 fiscal year. The Annual Report may include by reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 Business Days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent, if any. The Dissemination Agent shall (i) file any Annual Report received by it with the MSRB, as provided herein, and (ii) file a report with the District certifying that the Annual Report has been filed with the MSRB pursuant to this Disclosure Certificate, stating the date it was so filed.

(c) If the District is unable to file, or cause the Dissemination Agent to file, an Annual Report with the MSRB by the date required in subsection (a) of this Section, the District shall, in a timely manner, file or cause to be filed with the MSRB, a notice in substantially the form attached as Exhibit A.

Section 4. **__Content of Annual Reports__.** The Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The original adopted budget of the District for the then current fiscal year.

(ii) The District's average daily attendance for the last completed fiscal year.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County of Los Angeles.

(v) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County of Los Angeles.

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

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 have been made available to the public on the MSRB website. The District shall clearly identify each such other document so included by reference.

Section 5. **Reporting of Listed Events.** (a) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the District.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph (v) of subsection (a) of this Section, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Owners;

(iii) optional, unscheduled or contingent bond calls;

(iv) release, substitution or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; and

(vii) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the District shall determine if such event would be material under applicable Federal securities laws.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities laws, the District shall file, or shall cause the Dissemination Agent to file, within ten business days of such occurrence, a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (vii) of subsection (a) of this Section and (iii) of subsection (b) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the District Resolution.

Section 6. **Format for Filings with MSRB.** Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is 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, or cause the Dissemination to give, notice of such termination in a filing with the MSRB.

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Applied Best Practices, LLC. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

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

(a) if the amendment or waiver relates to the provisions of Section 3(a), Section 4 or Section 5(a) or (b) hereof, 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 the 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 the Owners in the same manner as provided in the District Resolution for amendments to the District Resolution with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 11. **Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Owner 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; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Los Angeles or in U.S. District Court in or nearest to the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an event of default under the District Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

CASTAIC UNION SCHOOL DISTRICT

By: ____________________________________

ACCEPTED AND AGREED TO:

APPLIED BEST PRACTICES, LLC,
AS DISSEMINATION AGENT

By: ____________________________________
Authorized Signatory

EXHIBIT A

FORM OF NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Castaic Union School District
Name of Issue:	Castaic Union School District General Obligation Bonds, Election of 2012, Series 2013
Date of Issuance:	April 16, 2013

NOTICE IS HEREBY GIVEN that the Castaic Union School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated April 16, 2013, executed and delivered by the District. [The District anticipates that the Annual Report will be filed by _____________.]

Dated: _______________

CASTAIC UNION SCHOOL DISTRICT

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APPENDIX E

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The following information has been supplied by the Treasurer and Tax Collector (the "Treasurer") of the County of Los Angeles (the "County"). Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information. The full Monthly Investment Report is available from the Treasurer.

The Treasurer and Tax Collector (the "Treasurer") of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of February 28, 2013, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$ 7.622
Schools and Community Colleges	11.833
Independent Public Agencies	3.545
Total	$23.000

Of these entities, the involuntary participants accounted for approximately 84.59%, and all discretionary participants accounted for 15.41% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 20, 2012, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated March 29, 2013, the February 28, 2013 book value of the Treasury Pool was approximately $23.031 billion and the corresponding market value was approximately $23.536 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditors staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of February 28, 2013:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	58.38%
Certificates of Deposit	17.11
Commercial Paper	24.09
Bankers Acceptances	0.00
Municipal Obligations	0.12
Corporate Notes & Deposit Notes	1.30
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00%

The Treasury Pool is highly liquid. As of February 28, 2013 approximately 37.88% of the investments mature within 60 days, with an average of 658 days to maturity for the entire portfolio.

Neither the District nor the Underwriter have made an independent investigation of the investments in the Pools and has made no assessment of the current Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described herein.

APPENDIX F

COUNTY OF LOS ANGELES INVESTMENT POLICY

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COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
LOS ANGELES, CA 90012

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

17 March 19, 2013

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

March 19, 2013

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

DEPARTMENT OF TREASURER AND TAX COLLECTOR DELEGATION OF AUTHORITY TO INVEST AND ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR INVESTMENT POLICY

SUBJECT

DEPARTMENT OF TREASURER AND TAX COLLECTOR DELEGATION OF AUTHORITY TO INVEST AND ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR INVESTMENT POLICY

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate the authority to invest and reinvest County funds and funds of other depositors in the County Treasury, to the Treasurer.

2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions are required by the California Government Code (Government Code) to permit the Treasurer to invest County funds and funds of other depositors in the County Treasury (Treasury Pool) pursuant to the Investment Policy. Government Code Section 53646 permits your Board to approve annually the Investment Policy.

We have revised the Investment Policy approved by your Board on March 20, 2012 as follows:

We increased the investment limits for domestic and foreign issuers of Asset Backed Securities, Bankers' Acceptance Notes, Certificates of Deposit, Commercial Paper, Corporate Notes, and Floating Rate Notes (Attachments 1a and 1b). This increase is warranted given the increase in the overall value of the Treasury Pool since the limits were last increased several years ago. Specifically, the Treasury Pool averaged $22.7 billion for the first six months of this fiscal year, an increase of approximately 37% over the same period in fiscal year 2006-2007, when the investment limits were last modified.

We revised the minimum credit ratings for the foreign issuers to reflect the changes in Fitch Ratings (Fitch) from individual ratings on financial institutions to Viability Ratings which represent Fitch's view on the intrinsic creditworthiness of an issuer. The utilization of the new rating system provides greater consistency with the credit scales of other rating agencies and has not resulted in any changes to the current investment limits of existing issuers.

Implementation of Strategic Plan Goals

This Investment Policy is in accordance with the Countywide Strategic Plan Goal #1: Operational Effectiveness with regard to investing County funds and funds of other depositors in the County Treasury.

FISCAL IMPACT/FINANCING

There is no fiscal impact from this action.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Government Code Section 27000.1 provides that your Board may annually delegate the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer.

Government Code Section 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This Government Code Section also requires that any change in the Investment Policy also be submitted to your Board for review and approval at a public hearing.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services.

CONCLUSION

Upon approval, please return the adopted, stamped Board Letter to my office for further processing.

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:NI:rkw

Enclosures

c: Chief Executive Officer
County Counsel
Auditor-Controller

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of the depositors in the County Treasury.

Fundamental Investment Policy

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed $500 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of interest, at the time of transfer and the purchase price, exclusive of interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, and III (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is 1.5 years. For purposes of maturity classification, the maturity date SHALL be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last three years' average minimum total cash and investments, after adjustments, as indicated in Attachment II.

Liquidity of PSI Investments

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within ninety days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next ninety days plus projected PSI deposits for ninety days, divided by the projected PSI withdrawals for ninety days plus discretionary PSI deposits, is equal to or greater than one.

The liquidation of investments is not required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of thirty days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or financial advisor, consultant or manager acting on behalf of the Treasurer, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Branch to assure compliance with this Investment Policy.

Reporting Requirements

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.

- Month-end bank balances for accounts under the control of the Treasurer.

- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.

- A description of all investment exceptions, if any, to the Investment Policy.

- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

Discretionary Treasury Deposits and Withdrawal of Funds

At the sole discretion of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

Broker/Dealer Section

Broker/Dealer SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

A. Broker/Dealer with minimum capitalization of $500 million and who meets all five of the below listed criteria;

    1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code or a member of a Federally regulated securities exchange and;
    2. Be a member of the National Association of securities Dealers and;
    3. Be registered with the Securities and Exchange Commission and;
    4. Have been in operation for more than five years; and
    5. Have a minimum annual trading volume of $100 billion in money market instruments or $500 billion in U.S. Treasuries and Agencies.

B. Emerging firms with office(s) in California licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code <u>or</u> a member of a Federally regulated exchange with a minimum capitalization of $200,000 to a maximum capitalization of $5 million and have met the quality criteria of the Treasurer.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

A. Confirmation of daily trade transactions and all open trades in effect at month-end.

B. Response to auditor requests for confirmation of investment transactions.

C. Response to the Internal Controls Branch requests for needed information.

<u>Honoraria, Gifts, and Gratuities Limitations</u>

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to postgovernment employment of County officials.

<u>Investment Limitations</u>

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding $100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the United States Government, its agencies and instrumentalities.

1. Maximum maturity: None.

2. Maximum total par value: None.

3. Maximum par value per issuer: None.

4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment III)

1. Maximum maturity: As limited in Attachment III.

2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

1. Maximum maturity: Five years.

2. Maximum total par value: 20% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

4. All Asset-Backed securities must be rated at least “AA” and the issuer's corporate debt rating must be at least “A”.

D. Bankers’ Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders' equity of depository bank.

   b) The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Must be issued by:

   a) National or State-chartered bank, or

   b) Savings association or Federal association, or

   c) Federal or State credit union, or

   d) Federally licensed or State-licensed branch of a foreign bank.

5. Euro CD's:

   a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

   b) Maximum total par value: 10% of the PSI portfolio.

   c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

   d) Limited to London branch of National or State-chartered banks.

6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders' equity of depository bank.

   b) The total net worth of the depository bank.

F. Corporate and Depository Notes

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Notes MUST be issued by:

   a) Corporations organized and operating within the United States.

   b) Depository institutions licensed by the United States or any State and operating within the United States

5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to maturity.

2. Maximum total par value: 10% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Benchmarks SHALL be limited to commercially available U.S. Dollar denominated indexes.

5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:

   a) Specific basis for the benchmark rate.

   b) Specific computation for the benchmark rate.

c) Specific reset period.

d) Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer’s current credit rating.

4. Credit: Issuing Corporation - Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

(a) The entity meets the following criteria:

1) Is organized and operating in the United States as a general corporation.

2) Has total assets in excess of $500 million.

3) Has debt other than commercial paper, if any, that is rated “A” or higher by NRSRO.

(b) The entity meets the following criteria:

1) Is organized in the United States as a Limited Liability Company or Special Purpose Corporation.

2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

3) Has commercial paper that is rated “A-1”or higher, or the equivalent, by a NRSRO.

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met

either of the following criteria:

a) Attained the highest possible rating by not less than two NRSROs.

b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of $500,000,000.

Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California's Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.

3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

b) The adviser has not less than five years of experience investing in the securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

c) The adviser has assets under management in excess of $500,000,000.

J. Repurchase Agreement

1. Maximum maturity: 30 days.

2. Maximum total par value: $1 billion.

3. Maximum par value per dealer: $500 million.

4. Agreements must be in accordance with approved written master repurchase agreement.

5. Agreements must be fully secured by obligations of the United States Government, its agencies and instrumentalities. The market value of these obligations that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than

monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

K. Reverse Repurchase Agreement

1. Maximum term: One year.

2. Maximum total par value: $500 million.

3. Maximum par value per broker: $250 million.

4. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.

6. Agreements must be in accordance with approved written master repurchase agreement.

7. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the United States Government and its agencies and instrumentalities.

8. The security to be sold on reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.

11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.

2. Maximum aggregate par value: $100 million.

3. Maximum par value per counterparty: $50 million. Counterparties for Forward and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated "A" or better from at least one nationally recognized rating agency.

4. The underlying securities SHALL be an obligation of the United States Government and its agencies and instrumentalities.

5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed $100,000 for each occurrence or exceed a total of $250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.

6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the Treasurer is obtained PRIOR to entering into the agreement.

7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Office.

8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating.

Further, the counterparty to such an agreement SHALL be rated "A" or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated "A" or better from at least one nationally recognized rating agency acceptable to the Treasurer.

N. Securities Lending Agreement

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.

2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

3. Dealers limited to those primary dealers or those Nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(j)(4)(B) approved specifically by the Treasurer.

4. Agreements SHALL only be made for the purpose of enhancing investment revenue.

5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the United States Government and its agencies and instrumentalities.

6. The security to be sold on securities lending agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

7. The proceeds of the securities lending agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

8. In no instance SHALL the investment from the proceeds of a securities lending agreement be sold as part of a subsequent reverse repurchase agreement or securities lending agreement.

O. Investment of Bond Proceeds

Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

County of Los Angeles
Treasurer and Tax Collector
ATTACHMENT 1 a.

MINIMUM CREDIT RATING
DOMESTIC ISSUERS

Bankers' Acceptance	**Certificates of Deposit**	**Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)**		**Limit**
Maximum maturity 180 days	Maximum maturity 3 years	Corporate: 3 years ABS: 5 years FRN: 5 years (1)		
Moody's	Moody's	S&P	Moody's	
P-1/Aaa	P-1/Aaa	A-1/AAA	P-1/Aaa	$650MM maximum, of which $450MM may be over 180 days.
P-1/Aa	P-1/Aa	A-1/AA	P-1/Aa	$500MM maximum, of which $300MM may be over 180 days.
P-1/A	P-1A	A-1/A	P-1/A	$375MM maximum, of which $175MM may be over 90 days to a maximum of 180 days.

Commercial Paper		**Limit**
Maximum maturity 270 days		
S&P	Moody's	
A-1/AAA	P-1/Aaa	$1 Billion maximum, of which $600MM may be over 180 days.
A-1/AA	P-1/Aa	$750MM maximum, of which $450MM may be over 180 days.
A-1/A	P-1/A	$575MM maximum, of which $250MM may be over 90 days to a maximum of 180 days.

(1) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
ATTACHMENT 1 b.

MINIMUM CREDIT RATING
FOREIGN ISSUERS

Bankers' Acceptance		**Commercial Paper**		**Certificates of Deposit**		**Corporate Notes, Asset Backed Securities (ABS) and Floating Rate Notes (FRN)**		**Limit**
Maximum maturity 180 days		Maximum maturity 270 days		Maximum maturity 3 years		Corporate: 3 years ABS: 5 years FRN: 5 years (1)		
Fitch	Moody's	S&P	Moody's	Fitch	Moody's	S&P	Moody's	
aaa	P-1/Aaa	A-1/AAA	P-1/Aaa	aaa	P-1/Aaa	A-1/AAA	P-1/Aaa	$500MM maximum, of which $250MM may be over 180 days.
aa-				aa-				$425MM maximum, of which $175MM may be over 180 days.
a	P-1/Aa	A-1/AA	P-1/Aa	a	P-1/Aa	A-1/AA	P-1/Aa	$375MM maximum, of which $175MM may be over 180 days.
a-				a-				$300MM maximum, of which $150MM may be over 90 days to a maximum of 180 days.
bbb	P-1/A	A-1/A	P-1/A	bbb	P-1/A	A-1/A	P-1/A	$250MM maximum, of which $125MM may be over 90 days to a maximum of 180 days.

(1) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 MM (million) par value may be greater than five years to maturity.

LIMITATION CALCULATION FOR
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual $)

	2012	2011	2010
Minimum invested balance and available cash	$21,059,006,042	$22,563,000,277	$21,608,038,081
Less:			
▪ Discretionary deposits	(1,995,760,144)	(2,145,967,200)	(2,152,440,974)
Minimum available balance	$19,063,245,898	$20,417,033,077	$19,455,597,107
Average minimum available balance			$19,645,292,027
Multiplied by the percent available for investment over one year			75%
Equals the available balance for investment over one year			$14,733,969,021
Intermediate-Term (from one to three years) ▪ One-third of the available balance for investment			$4,911,323,007
Medium-Term and Long-Term (greater than three years) ▪ Two-thirds of available balance for investment (1)			$9,822,646,014

(1) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT III

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of “A3” (Moody’s) or “A-“ (Standard and Poor’s or Fitch). The maximum maturity is limited to 30 years.

2. Any short- or medium-term obligation issued by the State of California or a California local agency with a minimum Moody’s rating of “MIG-1” or “A2” or a minimum Standard and Poor’s rating of “SP-1” or “A.” Maximum maturity limited to five years.

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2013 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2013 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2013 Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue 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.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

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

10. 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, Security certificates will be printed and delivered to DTC.

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

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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $__________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. This Policy is being issued under and pursuant to, and shall be construed under and governed by, the laws of the State of New York, without regard to conflict of law provisions. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By ____________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-235-5214 (attention: Claims)

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