

CASTAIC UNION SCHOOL DISTRICT

**COMMUNITY FACILITIES DISTRICTS
FINANCIAL AUDIT**

JUNE 30, 2018

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

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JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Governing Board and
Citizens Oversight Committee
Castaic Union School District
Valencia, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the Castaic Union School District's (the District), the Capital Project Fund for Blended Component Units specific to the Community Facilities Districts (CFDs) No. 92-1 and 92-2, the related fiduciary funds as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Capital Project Fund for Blended Component Units and the related fiduciary funds of the Castaic Union School District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial statements of the Capital Project fund for Blended Component Units and the related fiduciary funds, and are not intended to present fairly the financial position and changes in financial position of Castaic Union School District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Castaic Union School District's Capital Project Fund for Blended Component Units and the related fiduciary funds. The combining statements and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Capital Project Fund for Blended Component Units and the related fiduciary funds and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Capital Project Fund for Blended Component Units and the related fiduciary funds, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the District's Capital Project Fund for Blended Component Units and the related fiduciary funds 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 effectiveness of the District's Capital Project Fund for Blended Component Units and the related fiduciary funds 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* in considering the District's Capital Project Fund for Blended Component Units and the related fiduciary funds internal control over financial reporting and compliance.

VAUGHN, TRINE, RAY & CO. LLP

Rancho Cucamonga, California
December 5, 2018

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT**

**GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2018**

| | Capital Project Fund for Blended Component Units |
|----------------------|---|
| ASSETS | |
| Investments | \$ 314,856 |
| Receivables | 1,195 |
| Total Assets | \$ 316,051 |
| | |
| FUND BALANCES | |
| Restricted | \$ 316,051 |

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

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT**

**GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
JUNE 30, 2018**

| | Capital Project Fund for Blended Component Units |
|--|---|
| REVENUES | |
| CFD contribution | \$ 175,000 |
| Interest | 3,918 |
| Total Revenues | <u>178,918</u> |
| EXPENDITURES | |
| Facility acquisition and construction | 150,000 |
| Debt service | |
| Interest and other | 203 |
| Total Expenditures | <u>150,203</u> |
| NET CHANGE IN FUND BALANCES | 28,715 |
| Fund Balances - Beginning | <u>287,336</u> |
| Fund Balances - Ending | <u><u>\$ 316,051</u></u> |

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

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT**

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

| | CFD Agency Funds |
|--------------------------|---------------------------------|
| ASSETS | |
| Deposits and investments | \$ 8,427,806 |
| Receivables | 28,038 |
| Total Assets | \$ 8,455,844 |
| | |
| LIABILITIES | |
| Accounts payable | \$ 4,681 |
| Due to bondholders | 8,451,163 |
| Total Liabilities | \$ 8,455,844 |

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

CASTAIC UNION SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICTS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Community Facilities Districts No. 92-1 and 92-2 (CFDs) of the Castaic Union School District (the District) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Reporting Entity

The financial statements include the Capital Project Fund for Blended Component Units and the related Fiduciary Funds specific to the Community Facilities Districts No. 92-1 and 92-2 of the Castaic Union School District used to account for capital projects financed by Mello-Roos Community Facilities Districts and the receipt of special taxes for payment of debt required for the CFDs. These financial statements are not intended to present fairly the financial position and results of operations of the Castaic Union School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the CFDs are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The CFDs capital projects activity is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds accounted for the CFD's receipt of special taxes for payment of debt using the flow of economic resources measurement focus and the accrual basis of accounting.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Fund Balance

As of June 30, 2018, the fund balance of the Capital Project Fund for Blended Component Units is classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, voters or the laws or regulations of other governments.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

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/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Deposits and investments as of June 30, 2018, are classified as follows:

| | |
|-------------------|---------------------|
| Governmental fund | \$ 314,856 |
| Fiduciary fund | 8,427,806 |
| Total Investments | <u>\$ 8,742,662</u> |

Policies and Practices

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

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Authorized Under Debt Agreements

| Authorized Investment Type | Maximum Remaining Maturity | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|--|----------------------------------|---------------------------------------|--|
| U.S. Treasury Obligations | N/A | None | None |
| Federal Housing Administration Debentures | N/A | None | None |
| Federal Home Loan Mortgage Corporation Participation Certificates - Senior Debt Obligations | N/A | None | None |
| Farm Credit Banks Bonds and Notes | N/A | None | None |
| Federal Home Loan Banks Consolidated Debt Obligations | N/A | None | None |
| Federal National Mortgage Association Senior Debt Obligations | N/A | None | None |
| Student Loan Marketing Association Senior Debt Obligations | N/A | None | None |
| Financing Corporation Debt Obligations | N/A | None | None |
| Resolution Funding Corporation Debt Obligations | N/A | None | None |
| Certificates of Deposit, Time Deposits, Bankers' Acceptances | 30 days | None | None |
| Commercial Paper | 270 days | None | None |
| Deposit Accounts | N/A | None | None |
| Money Market Funds | N/A | None | None |
| Registered State Bonds, Notes, Warrants | N/A | None | None |
| Local Agency Bonds, Notes, Warrants | N/A | None | None |
| Repurchase Agreements | N/A | None | None |
| Investment Agreements | N/A | None | None |

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Interest Rate Risk and Credit 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 is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by limiting the total amount invested in any one issuer.

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. Presented below is the actual rating as of the year-end for each investment type.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation and the actual rating as of year-end for each investment is provided by the following schedule that shows the distribution of the District's investment by maturity:

| Investment Type | Reported Amount | Average Maturity in Days |
|--|--------------------|--------------------------------|
| Los Angeles County Treasury Investment Pool | \$ 4,891,084 | 609 |
| First American Treasury Obligations Money Market Funds | 3,851,578 | N/A |
| Total | \$ 8,742,662 | |

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

| Investment Type | Reported Amount | Fair Value Measurements Using | Uncategorized |
|---|---------------------|-------------------------------------|---------------------|
| | | Level 2 Inputs | |
| Los Angeles County Treasury Investment Pool | \$ 4,891,084 | \$ - | \$ 4,891,084 |
| First American Treasury Obligations | | | |
| Money Market Funds | 3,851,578 | 3,851,578 | - |
| Total | <u>\$ 8,742,662</u> | <u>\$ 3,851,578</u> | <u>\$ 4,891,084</u> |

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of the following:

| | Governmental Activities | | Total Governmental Activities | Fiduciary Funds | | Total Fiduciary Funds | Total |
|------------------|----------------------------|--------|-------------------------------------|--------------------|----------|-----------------------------|-----------|
| | 92-1 | 92-2 | | 92-1 | 92-2 | | |
| CFD | | | | | | | |
| Local Government | | | | | | | |
| Interest | \$ 221 | \$ 974 | \$ 1,195 | \$ 23,311 | \$ 4,727 | \$ 28,038 | \$ 29,233 |

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

| | |
|-----------------------|------------------------|
| | <u>Fiduciary Funds</u> |
| | <u>92-1</u> |
| CFD | |
| Other vendor payables | <u>\$ 4,681</u> |

NOTE 6 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facilities Districts as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$3,415,000, as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Future payments are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Current Interest to Maturity</u> | <u>Total</u> |
|--------------------|---------------------|---|---------------------|
| 2019 | \$ 1,635,000 | \$ 233,755 | \$ 1,868,755 |
| 2020 | 1,780,000 | 80,100 | 1,860,100 |
| Total | <u>\$ 3,415,000</u> | <u>\$ 313,855</u> | <u>\$ 3,728,855</u> |

NOTE 7 - CONTINGENCIES

Litigation

The District is not currently a party to any legal proceedings related to the Community Facilities District.

SUPPLEMENTARY INFORMATION

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**GOVERNMENTAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2018**

| | CFD 92-1 | CFD 92-2 | Total Capital Project Fund for Blended Component Units |
|----------------------|---------------------|---------------------|---|
| ASSETS | | | |
| Investments | \$ 138,914 | \$ 175,942 | \$ 314,856 |
| Receivables | 221 | 974 | 1,195 |
| Total Assets | <u>\$ 139,135</u> | <u>\$ 176,916</u> | <u>\$ 316,051</u> |
| FUND BALANCES | | | |
| Restricted | <u>\$ 139,135</u> | <u>\$ 176,916</u> | <u>\$ 316,051</u> |

See accompanying note to supplementary information.

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**GOVERNMENTAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

| | CFD 92-1 | CFD 92-2 | Total Capital Project Fund for Blended Component Units |
|---------------------------------------|---------------------|---------------------|---|
| REVENUES | | | |
| CFD contribution | \$ 175,000 | \$ - | \$ 175,000 |
| Interest | 1,188 | 2,730 | 3,918 |
| Total Revenues | <u>176,188</u> | <u>2,730</u> | <u>178,918</u> |
| EXPENDITURES | | | |
| Facility acquisition and construction | 150,000 | - | 150,000 |
| Debt service | | | |
| Interest and other | 59 | 144 | 203 |
| Total Expenditures | <u>150,059</u> | <u>144</u> | <u>150,203</u> |
| NET CHANGE IN FUND BALANCES | 26,129 | 2,586 | 28,715 |
| Fund Balances - Beginning | 113,006 | 174,330 | 287,336 |
| Fund Balances - Ending | <u>\$ 139,135</u> | <u>\$ 176,916</u> | <u>\$ 316,051</u> |

See accompanying note to supplementary information.

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

| | CFD 92-1 | CFD 92-2 | Total Agency Funds |
|--------------------------|---------------------|---------------------|-----------------------------------|
| ASSETS | | | |
| Investments | \$ 7,798,329 | \$ 629,477 | \$ 8,427,806 |
| Receivables | 23,311 | 4,727 | 28,038 |
| Total Assets | \$ 7,821,640 | \$ 634,204 | \$ 8,455,844 |
| LIABILITIES | | | |
| Accounts payable | \$ 4,681 | \$ - | \$ 4,681 |
| Due to bondholders | 7,816,959 | 634,204 | 8,451,163 |
| Total Liabilities | \$ 7,821,640 | \$ 634,204 | \$ 8,455,844 |

See accompanying note to supplementary information.

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**SCHEDULE OF ACTIVITY FOR AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| COMMUNITY FACILITIES DISTRICT | Beginning | Sources | |
|--|---------------------|------------------------------------|-------------------|
| | | Special Tax Collections | Interest |
| 92-1 | \$ 8,826,692 | \$ 971,175 | \$ 98,312 |
| 92-2 | 591,001 | 318,353 | 11,290 |
| | <u>\$ 9,417,693</u> | <u>\$ 1,289,528</u> | <u>\$ 109,602</u> |

See accompanying note to supplementary information.

Uses

| Principal Payments | Interest Payments | Transfer to COP | Other Outgo | Ending |
|-------------------------------|--------------------------|------------------------|--------------------|---------------------|
| \$ 1,500,000 | \$ 404,220 | \$ - | \$ 175,000 | \$ 7,816,959 |
| - | - | 286,440 | - | 634,204 |
| <u>\$ 1,500,000</u> | <u>\$ 404,220</u> | <u>\$ 286,440</u> | <u>\$ 175,000</u> | <u>\$ 8,451,163</u> |

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

Combining Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual CFDs that have been included in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Combining Statement of Net Position

The Combining Statement of Net Position is included to provide information regarding the individual CFDs that have been included in the Fiduciary Funds Statement of Net Position.

Schedule of Activity for Agency Funds

This schedule discloses the receipt of special taxes and other revenues along with the payment of non-obligatory debt and other uses of the individual CFDs that have been included in the Fiduciary Funds Statement of Net Position.

INDEPENDENT AUDITOR'S REPORT



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

Governing Board and
Citizens Oversight Committee
Castaic Union School District
Valencia, California

We have audited, in accordance with the 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, the accompanying financial statements of the Castaic Union School District (the District) Capital Project Fund for Blended Component Units specific to the Community Facilities Districts (CFDs) No. 92-1 and 92-2 and the related fiduciary funds, as of and for the year ended June 30, 2018, and the related notes of the financial statements, and have issued our report thereon dated December 5, 2018.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial statements of the Capital Project Fund for Blended Component Units and the related fiduciary funds, and are not intended to present fairly the financial position and changes in financial position of Castaic Union School District in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Castaic Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Castaic Union School District's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Castaic Union School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be, material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Castaic Union School District's Capital Project Fund for Blended Component Units specific to the Community Facilities Districts (CFDs) No. 92-1 and 92-2 and the related fiduciary funds 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Castaic Union School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Castaic Union School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VAUZNER, TRINE, RAY & CO. LLP

Rancho Cucamonga, California
December 5, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2018**

None reported.

**CASTAIC UNION SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICTS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.