2012-1456

NEW ISSUE
DTC BOOK-ENTRY ONLY

S&P Rating: "A+"
See "RATING" herein

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the District with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS—Tax Matters" herein.

$21,150,000
WASHINGTON UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DATED: Date of Delivery **DUE: August 1, as shown below**

The Washington Unified School District (Yolo County, California) 2012 General Obligation Refunding Bonds (the "Bonds") in the aggregate principal amount of $21,150,000 are being issued i) to refund certain outstanding general obligation bonds of the Washington Unified School District (the "District") originally issued to fund improvements to real property for school purposes and ii) to pay costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein.*

The Bonds are payable from the proceeds of ad valorem *property taxes which the Board of Supervisors of Yolo County is obligated to levy and collect without limitation as to rate or amount on all taxable property in the District (except for certain personal property which is taxable at limited rates) on behalf of the District for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

The Bonds are being issued as fully registered bonds, without coupons, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry-only form and only in authorized denominations as described in this Official Statement. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Bank of New York Mellon Trust Company, N.A. to Cede & Co., as nominee for DTC, which is obligated to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "THE BONDS—DTC Book-Entry Only" herein.

Interest on the Bonds is first payable on February 1, 2013, and semiannually thereafter on February 1 and August 1 of each year. The Bonds are not subject to redemption prior to maturity.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED WILL HAVE THE MEANINGS SET FORTH HEREIN.

MATURITY SCHEDULE

Maturity Date August 1	Principal Amount	Coupon Interest Rate	Reoffering Yield	Maturity Date August 1	Principal Amount	Coupon Interest Rate	Reoffering Yield
2013	$ 335,000	2.000 %	0.300 %	2018	$ 2,205,000	4.000 %	1.420 %
2014	1,620,000	3.000	0.450	2019	2,455,000	4.000	1.750
2015	1,705,000	4.000	0.650	2020	2,735,000	4.000	2.030
2016	1,755,000	4.000	0.800	2021	3,025,000	4.000	2.320
2017	1,970,000	4.000	1.120	2022	3,345,000	4.000	2.500

The Bonds are being purchased for reoffering by Citigroup Global Markets Inc. as Underwriter of the Bonds. The Bonds are offered when, as and if issued by the District and received by the Underwriter, subject to approval as to legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. It is anticipated that the Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York on or about October 2, 2012.

This Official Statement is dated September 13, 2012

THIS OFFICIAL STATEMENT IS SUBMITTED WITH RESPECT TO THE SALE OF THE BONDS REFERRED TO HEREIN AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE BONDS.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, IN RELIANCE UPON EXCEPTIONS THEREIN FOR THE ISSUANCE AND SALE OF MUNICIPAL SECURITIES. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE BONDS BY A PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION OR SALE.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED HEREIN, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT.

THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE DISTRICT AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION AND EXPRESSIONS OF OPINION 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.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES 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 ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED CHANGE.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES UNDER 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.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL 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 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CUSIP* Numbers

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Maturity Date August 1	CUSIP Number	Maturity Date August 1	CUSIP Number
2013	937411HV1	2018	937411JA5
2014	937411HW9	2019	937411JB3
2015	937411HX7	2020	937411JC1
2016	937411HY5	2021	937411JD9
2017	937411HZ2	2022	937411JE7

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The District and the Underwriter make no representation as to the accuracy or completeness of such information.

$21,150,000
WASHINGTON UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DISTRICT BOARD OF EDUCATION

Teresa Blackmer, President
Adam Menke, Vice President
Mary Leland, Member
Dave Westin, Member
Elizabeth Bagdazian, Member

DISTRICT ADMINISTRATION

Dayton Gilleland, Ed.D., Superintendent
Scott A. Lantsberger, Assistant Superintendent of Business Services
Rebecca D. Gillespie, Ed.D., Assistant Superintendent of Human Resources
William Spalding, Assistant Superintendent of Educational Services

Washington Unified School District
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PAYING AGENT AND ESCROW AGENT

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Los Angeles, California 90071
(213) 630-6237

VERIFICATION AGENT

AMTEC
90 Avon Meadow Lane, 2nd Floor
Avon, Connecticut 06001
(860) 321-7521

$21,150,000
WASHINGTON UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

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OFFICIAL STATEMENT

$21,150,000
WASHINGTON UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTORY STATEMENT

The purpose of this Official Statement is to provide certain information concerning the sale and delivery of the Washington Unified School District (Yolo County, California) 2012 General Obligation Refunding Bonds (the "Bonds") in the aggregate principal amount of $21,150,000 being issued i) to refund certain outstanding general obligation bonds of the District as further described herein and ii) to pay costs of issuance of the Bonds.

<u>Authority for Issuance</u>

The Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code, and applicable provisions of the State Education Code. The Bonds are authorized to be issued pursuant to that certain resolution (the "Resolution") adopted by the Board of Education (the "Board") of the Washington Unified School District (the "District" or "Issuer") on August 23, 2012, and are issued pursuant to that certain paying agent agreement dated as of October 2, 2012 (the "Paying Agent Agreement") between the Washington Unified School District and The Bank of New York Mellon Trust Company, N.A. The State Government Code permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds does not exceed the total debt service to maturity on the bonds being refunded.

The bonds to be refunded were authorized at an election held on March 2, 2004 (the "2004 Election") by more than two-thirds of the votes cast by eligible voters within the District. The 2004 Election authorized the issuance of bonds in an aggregate principal amount not to exceed $52.0 million for school purposes. Proceeds of the Bonds will be applied (i) to refund certain outstanding general obligation bonds of the District, and (ii) to pay costs of issuance of the Bonds. See **"**PLAN OF REFUNDING**"** herein.

<u>The District</u>

The District is a unified school district providing elementary and secondary education for grades kindergarten through twelve to approximately 7,300 students. The District was formed in 1957, and its territory encompasses a 23-square-mile area of eastern Yolo County (the "County"). The District operates seven elementary schools, one adult education school, one comprehensive high school, one alternative high school and one independent study school. See "THE DISTRICT" herein.

Source of Payment for the Bonds

The Board of Supervisors of Yolo County is empowered and obligated to annually levy and collect *ad valorem* property taxes, without limitation as to rate or amount, on all taxable property in the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued as fully registered Bonds, without coupons, in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC").

The Bonds will be dated the date of delivery and mature on August 1 in each of the years and in the amounts set forth on the cover page hereof. Interest with respect to the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2013. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. See "THE BONDS" herein.

Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A to DTC for subsequent disbursement to the Beneficial Owners (as defined herein). See "THE BONDS – Book-Entry-Only System" herein.

Continuing Disclosure

The District will covenant for the benefit of holders and Beneficial Owners (as defined herein) to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of material events is set forth in "APPENDIX B – FORM OF CONTINUING DISCLOSURE CERTIFICATE." See also "CONTINUING DISCLOSURE" herein.

Professionals Involved

Government Financial Strategies inc., Sacramento, California has acted as financial advisor with respect to the sale and delivery of the Bonds. See "FINANCIAL ADVISOR" herein. All proceedings in connection with the sale and delivery of the Bonds are subject to the approving legal opinion of Quint & Thimmig LLP, bond counsel to the District with respect to the Bonds ("Bond Counsel"). The Bank of New York Mellon Trust Company, N.A. will act as paying agent with respect to the Bonds (the Paying Agent") and escrow agent with respect to the bonds to be refunded (the "Escrow Agent"). Bond Counsel and Paying Agent will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement may be considered current only as of its date which has been made a part of the cover page hereof, and the information contained herein is subject to change. A description of the Bonds and the District, together with summaries of certain provisions of the Resolution, Paying Agent Agreement and other legal documents related to the Bonds, are included in this Official Statement. Such summaries do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to such documents.

Interested parties may obtain copies of the Resolution, Paying Agent Agreement, audited financial statements, annual budgets, or any other information which is generally made available to the public by contacting the District through the Assistant Superintendent of Business Services at the address and telephone set forth on page "iii" of this Official Statement, or by contacting Government Financial Strategies inc., the District's financial advisor, at the address and telephone set forth on page "iii" of this Official Statement.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code, and applicable provisions of the State Education Code. The Bonds are authorized pursuant to that certain Resolution adopted by the Board on August 23, 2012, and are issued pursuant to that certain Paying Agent Agreement dated as of October 2, 2012, between the District and Paying Agent. The State Government Code permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds does not exceed the total debt service to maturity on the bonds being refunded.

The bonds to be refunded were authorized at an election held on March 2, 2004, by more than 55% of the votes cast by eligible voters within the District. The 2004 Election authorized the issuance of bonds in an aggregate principal amount not to exceed $52.0 million for school purposes. The bonds authorized at the 2004 Election were issued in two series:

- In 2004, the District issued general obligation bonds in the principal amount of $39,999,039.70 (the "Series A Bonds").
- In 2006, the District issued general obligation bonds in the principal amount of $12,000,432.80 (the "Series B Bonds").

Proceeds of the Bonds will be applied (i) to refund certain maturities of the Series A Bonds, and (ii) to pay costs of issuance of the Bonds. See "PLAN OF REFUNDING" herein.

Form and Registration

The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of DTC, New York, New York. DTC will act as security depository of the Bonds. Purchases of Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in 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 Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See "THE BONDS—DTC Book-Entry Only" herein.

Payment of Principal and Interest

Principal of and interest on the Bonds will be paid in lawful money of the United States of America by the Paying Agent to DTC, who will, in turn, disburse such payment to direct and indirect participants of DTC for subsequent disbursement to Beneficial Owners (as defined herein).

Principal is payable upon maturity or prior redemption of a Bond upon its surrender at the principal office of the Paying Agent. The Bonds mature on August 1 in each of the years and in the amounts set forth on the cover page hereof. No Bonds shall have principal maturing on more than one date.

The Bonds will be dated the date of delivery. Interest with respect to the Bonds is payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2013. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof, unless it is authenticated as of a day during the period after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") to that Interest Payment Date, both dates inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2013, in which event it will bear interest from the date of delivery, provided, that if, at the time of authentication of any Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

The interest on each Bond due on any Interest Payment Date is payable by check of the Paying Agent mailed to the Owner thereof at such Owner's address as it appears on the registration books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least $1,000,000 aggregate principal amount of Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Bonds will be paid on the succeeding Interest Payment Date to such account (within the United States) as shall be specified in such written request.

Transfer and Exchange

Any Bond may be transferred or exchanged by the registered owner, in person or by the owner's duly authorized attorney, upon surrender of such Bond to the Paying Agent for cancellation accompanied by duly executed written instruments as required by the Paying Agent. Thereupon, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds of the same series, maturity and interest rate, for a like aggregate principal amount. The owner requesting any such transfer or exchange may be required to pay any taxes or other governmental charges incident to the transfer or exchange.

Defeasance

Bonds may be paid by the District in any of the following ways: (i) by paying or causing to be paid the principal of and interest on outstanding Bonds, as and when the same become due and payable; (ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount to pay the outstanding Bonds; or (iii) by delivering to the Paying Agent, for cancellation by it, the outstanding Bonds.

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

Whenever it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held shall be: (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or (ii) Federal Securities as defined in the Resolution (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal of and all unpaid interest to maturity on the Bonds to be paid; provided that the Paying Agent shall have been irrevocably instructed to apply such money to the payment of such principal and interest with respect to such Bonds.

Redemption Provisions

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

DTC Book-Entry Only

The following information concerning DTC and DTC's book-entry-only system has been provided by DTC for use in securities disclosure documents. The District takes no responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The following description includes the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, other payments with respect to the Bonds to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds, notices to Beneficial Owners and other related transactions by and between DTC, the participants, and the Beneficial Owners. However, DTC, the participants, and the Beneficial Owners should not rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be.

DTC will act as securities depository for the Bonds (in this Section, 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 the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

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.

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.

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.

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 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 Paying Agent and request that copies of the notices be provided directly to them.

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.

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 Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or Issuer, 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 Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer 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.

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

PLAN OF REFUNDING

Application and Investment of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be irrevocably deposited into an escrow fund (the "Escrow Fund") to be created and maintained by the Escrow Agent under that certain escrow agreement (the "Escrow Agreement") by and between the District and the Escrow Agent, dated as of October 2, 2012. Moneys in the Escrow Fund will be invested in non-callable direct obligations of the United States Treasury 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. AMTEC (in conjunction with Ross & Company, PLLC, a certified public accountant licensed to practice in the State), acting as verification agent with respect to the Escrow Fund, will certify in writing that moneys irrevocably deposited and invested in the Escrow Fund, together with earnings thereon, will be sufficient for the payment of interest coming due and payable to the date fixed for redemption plus the redemption amount of the Series A Bonds maturing August 1, 2014 through August 1, 2022, inclusive (the "Prior Bonds") redeemable on August 1, 2013, the first optional redemption date for the Prior Bonds. Upon such irrevocable deposit, the Prior Bonds will be deemed paid and no longer outstanding.

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account (the "Costs of Issuance Fund") and used to pay costs associated with the issuance of the Bonds. Any proceeds of sale of the Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the Bonds will be deposited by the Paying Agent in the County treasury to the credit of a fund to be used only for payment of principal of and interest on the Bonds (the "Interest and Sinking Fund"). Amounts deposited by the Paying Agent into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Bonds, will be invested on behalf of the District by the County Auditor-Controller and Treasurer-Tax Collector (the "Treasurer") pursuant to law and the investment policy of the County. See "YOLO COUNTY INVESTMENT FUND" and "APPENDIX D—COUNTY OF YOLO 2012 INVESTMENT POLICY" herein.

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Sources and Uses of Funds

Set forth in the following table are the sources and expected uses of proceeds of sale of the Bonds.

Sources and Uses of Funds Schedule
Washington Unified School District
2012 General Obligation Refunding Bonds

SOURCES OF FUNDS	
Par Amount of Bonds	$21,150,000.00
Original Issue Premium / (Discount)	2,615,210.10
TOTAL SOURCES OF FUNDS	$23,765,210.10
USES OF FUNDS	
Escrow Fund	$23,572,498.71
Costs of Issuance Fund [1]	125,378.45
Underwriter's Discount	67,332.94
TOTAL USES OF FUNDS	$23,765,210.10

[1] Costs of issuance include fees and expenses of bond counsel, financial advisor, rating agency, and all other expenses related to the issuance of the Bonds.

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Debt Service Schedules

Scheduled debt service on the Bonds is shown in the following table.

Debt Service Schedule
Washington Unified School District
2012 General Obligation Refunding Bonds

Date	Principal	Interest	Semi-Annual Debt Service	Annual Debt Service
February 1, 2013		$ 272,080.28	$ 272,080.28	
August 1, 2013	$ 335,000.00	411,550.00	746,550.00	$ 1,018,630.28
February 1, 2014		408,200.00	408,200.00	
August 1, 2014	1,620,000.00	408,200.00	2,028,200.00	2,436,400.00
February 1, 2015		383,900.00	383,900.00	
August 1, 2015	1,705,000.00	383,900.00	2,088,900.00	2,472,800.00
February 1, 2016		349,800.00	349,800.00	
August 1, 2016	1,755,000.00	349,800.00	2,104,800.00	2,454,600.00
February 1, 2017		314,700.00	314,700.00	
August 1, 2017	1,970,000.00	314,700.00	2,284,700.00	2,599,400.00
February 1, 2018		275,300.00	275,300.00	
August 1, 2018	2,205,000.00	275,300.00	2,480,300.00	2,755,600.00
February 1, 2019		231,200.00	231,200.00	
August 1, 2019	2,455,000.00	231,200.00	2,686,200.00	2,917,400.00
February 1, 2020		182,100.00	182,100.00	
August 1, 2020	2,735,000.00	182,100.00	2,917,100.00	3,099,200.00
February 1, 2021		127,400.00	127,400.00	
August 1, 2021	3,025,000.00	127,400.00	3,152,400.00	3,279,800.00
February 1, 2022		66,900.00	66,900.00	
August 1, 2022	3,345,000.00	66,900.00	3,411,900.00	3,478,800.00
	$21,150,000.00	$5,362,630.28	$26,512,630.28	$26,512,630.28

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Upon issuance of the Bonds, scheduled debt service (without regard to optional redemption) on the District's outstanding general obligation bond debt will be as shown in the following table. See "DISTRICT FINANCIAL INFORMATION – Long-Term Borrowings" for more information on the District's outstanding bonded debt.

Outstanding General Obligation Bond Debt
Washington Unified School District

Bond Year Ending August 1	Bonds to Remain Outstanding	2012 G. O. Refunding Bonds	Total Debt Service
2013	$ 2,724,594	$ 1,018,630	$ 3,743,224
2014	1,531,194	2,436,400	3,967,594
2015	1,613,494	2,472,800	4,086,294
2016	1,691,994	2,454,600	4,146,594
2017	1,786,544	2,599,400	4,385,944
2018	1,876,044	2,755,600	4,631,644
2019	1,980,594	2,917,400	4,897,994
2020	2,074,394	3,099,200	5,173,594
2021	2,191,800	3,279,800	5,471,600
2022	2,304,919	3,478,800	5,783,719
2023	6,702,319	--	6,702,319
2024	7,094,006	--	7,094,006
2025	7,500,000	--	7,500,000
2026	7,340,000	--	7,340,000
2027	7,780,000	--	7,780,000
2028	8,255,000	--	8,255,000
2029	8,750,000	--	8,750,000
2030	7,625,000	--	7,625,000
2031	8,085,000	--	8,085,000
Total	$88,906,894	$26,512,630	$115,419,524

SECURITY AND SOURCE OF PAYMENT

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and 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 are deposited in the District's Interest and Sinking Fund required to be maintained by the County and to be used solely for the payment of principal of and interest on the Bonds.

Property Taxation System

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

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the net 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 the 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 prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located (the District is located solely in Yolo County). The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

All property (real, personal and intangible) is taxable unless an exemption is granted by the State 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. Although 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 under the heading, "State-Assessed Property."

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. Under Proposition 13, an amendment to the State Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property and of similar properties more recently sold. Likewise, changes in ownership of property and reassessment of such property to market value commonly lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES."

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the county assessor, who may grant or refuse the request, and may appeal an assessment directly to the county board of equalization, which rules on appealed assessments whether or not settled by the county assessor. The county assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the respective county treasurer/tax collector against all taxing agencies who received tax revenues, including the District.

State-Assessed Property. Under the 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. Taxation by the local county tax officials is 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 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." Property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds.

Shown in the following table is the assessed valuation in the District in the previous ten years.

Historical Total Secured and Unsecured Assessed Valuation
Washington Unified School District

Fiscal Year	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Annual Change
2002 - 03	$2,383,504,509	$339,463,759	2,722,968,268	14.2%
2003 - 04	2,701,008,448	311,295,235	3,012,303,683	10.6%
2004 - 05	3,054,126,985	316,507,839	3,370,634,824	11.9%
2005 - 06	3,671,510,336	345,342,560	4,016,852,896	19.2%
2006 - 07	4,654,810,690	390,849,741	5,045,660,431	25.6%
2007 - 08	5,214,868,320	423,528,597	5,638,396,917	11.7%
2008 - 09	5,365,182,166	428,038,889	5,793,221,055	2.7%
2009 - 10	5,063,945,698	499,842,448	5,563,788,146	(4.0%)
2010 - 11	4,934,268,930	486,808,486	5,421,077,416	(2.6%)
2011 - 12	4,824,822,639	465,792,374	5,290,615,013	(2.4%)

Source: Yolo County Auditor-Controller and Treasurer-Tax Collector's Office.

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Shown in the following table is a distribution of taxable real property located in the District by principal purpose for which the land is used along with the local secured assessed valuation (excludes tax-exempt property) and number of parcels for each use for fiscal year 2011-12.

Assessed Valuation and Parcels by Land Use
Washington Unified School District

	2011-12 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$ 104,278,994	2.16%	249	1.59%
Commercial/Office	763,599,941	15.83	422	2.70
Vacant Commercial	69,835,084	1.45	130	0.83
Industrial	1,113,351,170	23.08	395	2.52
Vacant Industrial	119,062,444	2.47	133	0.85
Recreational	49,492,877	1.03	12	0.08
Government/Social/Institutional	23,331,654	0.48	18	0.12
Subtotal Non-Residential	$2,242,952,164	46.51%	1,359	8.69%
Residential:				
Single Family Residence	$2,216,046,708	45.95%	12,235	78.21%
Condominium/Townhouse	69,159,023	1.43	544	3.48
Mobile Home	16,875,567	0.35	501	3.20
Mobile Home Park	22,857,616	0.47	22	0.14
2-4 Residential Units	67,931,662	1.41	476	3.04
5+ Residential Units/Apartments	133,837,504	2.77	109	0.70
Miscellaneous Residential	4,101,319	0.09	8	0.05
Vacant Residential	49,228,853	1.02	390	2.49
Subtotal Residential	$2,580,038,252	53.49%	14,285	91.31%
Total	$4,822,990,416	100.00%	15,644	100.00%

[1] Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Largest Taxpayers in District

The 20 largest taxpayers in the District own property that comprises 18.5% of the total assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property, as shown on the 2011-12 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the District, are shown in the following table.

Largest Taxpayers
Washington Unified School District

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total[1]
1	Harsch Investment Corp.	Office Building	$114,386,388	2.37%
2	MSHQ LLC	Office Building	111,859,607	2.32
3	Farmers Rice Co-Op	Industrial	63,002,727	1.31
4	JB Management LP	Industrial	57,397,121	1.19
5	RMC Pacific Materials, Inc.	Industrial	54,012,518	1.12
6	Ikea Property Inc.	Commercial Store	53,075,171	1.1
7	River City Land Holding Co. LLC	Stadium	46,773,223	0.97
8	Buzz Oates LLC	Industrial	44,897,794	0.93
9	Tony Ingoglia Salami & Cheese Co. Inc.	Industrial	37,171,510	0.77
10	ARC FESACCA001 LLC	Industrial	34,469,503	0.71
11	Sacramento Foodco Inv. LLC	Industrial	34,379,255	0.71
12	Frank C. and Joanne M. Ramos & Ramos Family Trust	Industrial	32,725,869	0.68
13	Wal-Mart Real Estate Business Trust	Commercial	29,872,128	0.62
14	Central Pacific Bank	Undeveloped	28,311,593	0.59
15	Monticello at Southport Associates LLC	Apartments	28,171,500	0.58
16	Two Rivers Cement LLC	Industrial	27,455,881	0.57
17	Agrium US Inc.	Industrial	26,604,951	0.55
18	Pancal 300 Southport 20 LLC	Industrial	23,361,875	0.48
19	Capitol Place Apartment Associates	Apartments	23,317,805	0.48
20	McKesson Corporation	Industrial	22,714,837	0.47
			$893,961,256	18.54%

[1] 2011-12 local secured assessed valuation: $4,822,990,416 (excludes tax-exempt property.)
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 Bonds in a given year depends in large part on the net assessed value of taxable property in that year. (Unsecured property is taxed at the secured property tax rate from the prior year.) 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 net 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 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The following table shows *ad valorem* property tax rates for the last several years in a typical tax rate area of the District (TRA 4-005). TRA 4-005 comprises approximately 37.8% of the total assessed value of taxable property in the District.

Typical Total Tax Rates
TRA 4-005
Washington Unified School District

	2007-08	2008-09	2009-10	2010-11	2011-12
General	1.0000	1.0000	1.0000	1.0000	1.0000
Washington Unified School District	.0525	.0475	.0475	.0595	.0595
Los Rios Community College District	.0066	.0074	.0124	.0090	.0192
Total	1.0591	1.0549	1.0599	1.0685	1.0787

2011-12 assessed valuation for TRA 4-005: $1,999,144,996.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment

The County Board approved implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), pursuant to sections 4701 through 4717 of the State's Revenue & Taxation Code, effective July 1, 1993. This action of the County Board came pursuant to the endorsement of the Teeter Plan by the taxing districts of the County. Under the Teeter Plan, each participating local agency levying secured property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due to the agency.

The Treasurer's cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. Amounts in the tax loss reserve fund above a statutorily defined threshold may be credited to the County's general fund. Amounts in the tax loss reserve fund may only be used to cover the losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property.

A county electing to utilize the Teeter Plan may elect to discontinue its use for any tax levying agency if the rate of secured tax delinquencies in any fiscal year exceeds 3% of the total of all taxes levied on the secured roll of that agency. The county board of supervisors may also order discontinuance of the Teeter Plan. In addition, if prior to the commencement of any fiscal year the county board receives a petition for discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the county, the county board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

If the Teeter Plan were discontinued, only those secured property taxes actually collected would be allocated to political subdivisions, including the District. Further, the District's tax revenues would be subject to taxpayer delinquencies, and the District would realize the benefit of interest and penalties collected from delinquent taxpayers, pursuant to law.

Tax Collections 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 complex web of statutory modifications enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer/tax collector 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 at 5:00 p.m. December 10, after which time a 10% penalty attaches. The second installment is due on February 1 and becomes delinquent at 5:00 p.m. April 10, after which time a 10% penalty and $10 cost attach. If taxes remain unpaid by 5:00 p.m. June 30, the tax is deemed to be in default and it will be necessary to pay (i) delinquent penalties, (ii) costs, (iii) redemption penalties, and (iv) a redemption fee. After five years, the Treasurer has the power to sell tax-defaulted property that is not redeemed.

Annual bills for property taxes on the unsecured roll are mailed no later than August 1. Taxes on the unsecured roll as of July 31, if unpaid are delinquent at 5:00 p.m. on August 31, and thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured roll after July 31, if unpaid are delinquent and subject to a penalty of 10 percent at 5:00 p.m., or the close of business, whichever is later, on the last day of the month succeeding the month of enrollment.

As long as the Teeter Plan remains in effect in the County, the District will be credited with the full amount of the tax levy no matter the delinquency rate within the District.

Direct and Overlapping Bonded Debt

The statement of direct and overlapping bonded debt relating to the District, which is set forth on the following page, was prepared by California Municipal Statistics, Inc. It has been included for general information purposes only. The District has not reviewed the statement for completeness or accuracy and makes no representations in connection with the statement.

Contained within the District's boundaries are numerous overlapping local entities providing public services. These local entities may have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds. The first column in the table below names the public agencies that have outstanding debt as of the date of the report and whose boundaries overlap the District. The second column in the table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The third column shows the corresponding portion of each overlapping entity's existing debt allocable to property within the District. The total amount of debt for each overlapping entity is not shown in the table.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. 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.

In addition, property owners within the District may be subject to other special taxes and assessments levied by other taxing authorities that provide services within the District. Such non-*ad valorem* special taxes and assessments (which are not levied to fund debt service) are not represented in the statement of direct and overlapping bonded debt.

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Statement of Direct and Overlapping Bonded Debt (As of September 1, 2012)
Washington Unified School District

2011-12 Assessed Valuation:	$5,290,615,013
Redevelopment Incremental Valuation:	2,101,118,811
Adjusted Assessed Valuation:	$3,189,496,202

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/12
Los Rios Community College District	2.370%	$ 7,048,262
Washington Unified School District	**100.000**	**61,593,895** [1]
City of West Sacramento Community Facilities District No. 8	100.000	35,025,000
City of West Sacramento Community Facilities District No. 9	100.000	170,000
City of West Sacramento Community Facilities District No. 10	100.000	19,912,661
City of West Sacramento Community Facilities District No. 11	100.000	3,609,829
City of West Sacramento Community Facilities District No. 12	100.000	6,095,000
City of West Sacramento Community Facilities District No. 14	100.000	7,960,000
City of West Sacramento Community Facilities District No. 15	100.000	1,651,968
City of West Sacramento Community Facilities District No. 16	100.000	12,173,173
City of West Sacramento Community Facilities District No. 17	100.000	5,165,000
City of West Sacramento Community Facilities District No. 18	100.000	711,620
City of West Sacramento Community Facilities District No. 19	100.000	2,390,044
City of West Sacramento Community Facilities District No. 20	100.000	9,650,000
City of West Sacramento Community Facilities District No. 21	100.000	3,125,000
City of West Sacramento Community Facilities District No. 23	100.000	6,430,000
City of West Sacramento Community Facilities District No. 24	100.000	1,245,000
City of West Sacramento Community Facilities District No. 26	87.090	3,483,600
City of West Sacramento Community Facilities District No. 27	100.000	12,645,000
West Sacramento Area Flood Control Assessment District	99.876	22,542,013
City of West Sacramento 1915 Act Bonds	100.000	1,935,000
California Statewide Communities Development Authority 1915 Act Bonds	100.000	471,530
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$225,033,595

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Yolo County Certificates of Participation	19.459%	$ 649,931
Yolo County Board of Education Certificates of Participation	19.459	1,403,994
Los Rios Community College District Certificates of Participation	2.370	144,689
Washington Unified School District	**100.000**	**66,690,000**
City of West Sacramento General Fund Obligations	99.679	24,953,449
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$93,842,063
COMBINED TOTAL DEBT		$318,875,658 [2]

Ratios to 2011-12 Assessed Valuation:

Direct Debt ($61,593,895)..1.16%

Total Direct and Overlapping Tax and Assessment Debt 4.25%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ($128,283,895).......................................4.02%

Combined Total Debt 10.00%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: $0

[1] Excludes general obligation refunding bonds to be sold.
[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

YOLO COUNTY INVESTMENT FUND

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. Certain information has been obtained from the County for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the County of Yolo, Office of the Auditor-Controller and Treasurer-Tax Collector, 625 Court Street, Room 102, Woodland, CA 95695, Telephone (530) 666-8625.

Most of the District's funds are held and invested at the County in the pooled investment fund managed by the Treasurer (the "County Pool"). The County Pool consists primarily of operating funds of the County and local agencies, including other school districts and special districts within the County. State law requires that all moneys of the County, school districts, and certain special districts be deposited with the Treasurer. The governing boards of school districts and special districts within the County may allow, by appropriate board resolution, certain withdrawals of non-operating funds for investment outside the County Pool.

Funds held by the County in the County Pool are invested in accordance with the County's investment policy, as authorized by section 53601 of the State Government Code. The County's investment policy is reviewed by the County Board of Supervisors annually. A County Treasury Oversight Committee (which includes, among others, a representative of the Yolo County School Superintendent and a representative of the area school districts) monitors the performance of the County Pool quarterly. The policy statement sets forth the County's investment objectives, which are, in priority order, safety of principal, liquidity, and return on investment. See "APPENDIX D" for a copy of the County's investment policy.

The portfolio structure of the County Pool as of June 30, 2012 is set forth on the following table:

Yolo County Pooled Investment Fund
As of June 30, 2012

Security Type	Market Value
Securities Held by PFM Asset Management LLC	
Treasury Pool	
Corporate Note	$ 29,525,139
Federal Agency Bond/Note	66,318,594
US Treasury Bond/Note	25,734,745
Certificate of Deposit	19,977,335
Accrued Interest	502,992
Total Treasury Pool	$142,058,805
Landfill Closure Trust Fund	13,228,261
Davis JUSD CFD#1	11,769,863
Cache Creek	1,434,063
Total Securities Held by PFM	$168,490,991
California Asset Management Program	66,354,387
Local Agency Investment Fund (LAIF)	30,609,159
Checking Account	10,092,232
Total Pooled Portfolio	$275,546,769

Source: Yolo County Auditor-Controller and Treasurer-Tax Collector's Office.

COUNTY ECONOMIC PROFILE

The information in this section concerning the County's economy is provided as supplementary information only, and is not intended to be an indication of security for the Bonds. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

General Information

The County is one of 58 counties in the State and is located in the northern part of the State.

Based on data compiled by DataQuick Information Systems, the median sale price of a single-family home in the County was $220,000 in June 2012, a decrease of approximately 3.7% from $228,500 in June 2011. The median sale price of a single-family home in the City of West Sacramento was $168,500 in June 2012, a decrease of approximately 15.7% from $200,000 in June 2011.

Population

The following table displays population data from the 2010 census along with estimated population as of January 1 for the past two years for the County and the City of West Sacramento.

Historical Population
City of West Sacramento and Yolo County

	2010	2011	2012
West Sacramento	48,744	49,048	49,292
Yolo County	200,849	201,071	202,133

Source: State Department of Finance

Unemployment

The following table contains a summary of the City of West Sacramento's unemployment data seasonally unadjusted.

Historical Unemployment
City of West Sacramento

	Annual 2008	Annual 2009	Annual 2010	Annual 2011	July 2012[1]
Total Labor Force	16,300	16,700	16,800	16,700	16,500
# Employed	14,400	13,800	13,500	13,500	13,900
# Unemployed	1,900	2,900	3,200	3,100	2,700
Unemployment Rate	11.6%	17.3%	19.3%	18.9%	16.2%

[1]Preliminary.
Source: State Employment Development Department.

The following table contains a summary of the County's unemployment data seasonally unadjusted.

Historical Unemployment
Yolo County

	Annual 2008	Annual 2009	Annual 2010	Annual 2011	July 2012[1]
Total Labor Force	98,400	98,800	98,300	97,800	98,100
# Employed	91,200	87,700	85,800	85,700	87,800
# Unemployed	7,200	11,100	12,500	12,100	10,300
Unemployment Rate	7.4%	11.2%	12.7%	12.4%	10.5%

[1]Preliminary.
Source: State Employment Development Department.

Major Employers

The following table provides a listing of 20 major employers in the County, listed by number of employees.

Major Employers
Yolo County

	Company	Employees
1	University of California Davis	11,704
2	State of California	2,214
3	U.S. Postal Service	1,794
4	Yolo County	1,245
5	Woodland Healthcare	994
6	Raley's Family of Fine Stores	831
7	Davis Joint Unified School District	792
8	Target Corp.	782
9	Pacific Gas and Electric Co.	623
10	Nugget Market Inc.	500
11	City of West Sacramento	430
12	Coventry Health Care	400
13	City of West Sacramento	340
14	City of Woodland	281
15	Sutter Davis Hospital	270
16	Winters Joint Unified School District	220
17	NOR-CAL Beverage Co. Inc.	200
18	Clark Pacific Corp.	185
19	Vertis Inc.	175
20	Wells Fargo & Co.	99

Source: 2011 Sacramento Business Journal.

Taxable Sales

Total taxable sales reported during calendar year 2010 in the City of West Sacramento were approximately $1,132,116,000, a 4.1% increase from the total taxable sales of approximately $1,087,557,000 reported during calendar year 2009. Data for calendar year 2011 is not yet available.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of West Sacramento is presented in the following table, rounded to the nearest thousand.

Taxable Retail Sales
City of West Sacramento

	2006	2007	2008	2009	2010
Sales Tax Permits	1,151	1,172	1,173	1,104	1,192
Taxable Sales (000's)	$1,127,417	$1,186,555	$1,296,729	$1,087,557	$1,132,116

Source: State Board of Equalization

Total taxable sales reported during the calendar year 2010 in the County were approximately $2,943,500,000, a 2.7% increase from the total taxable sales of approximately $2,865,382,000 reported during calendar year 2009. Data for calendar year 2011 is not yet available.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table, rounded to the nearest thousand.

Taxable Retail Sales
Yolo County

	2006	2007	2008	2009	2010
Sales Tax Permits	4,059	4,084	4,138	3,892	4,035
Taxable Sales (000's)	$3,189,863	$3,259,843	$3,347,287	$2,865,382	$2,943,500

Source: State Board of Equalization

THE DISTRICT

The information in this section concerning the operations of the District and its finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

General Information

The District is a unified school district providing elementary and secondary education for grades kindergarten through twelve to approximately 7,300 students. The District was formed in 1957, and its territory encompasses a 23-square-mile area of eastern Yolo County in the City of West Sacramento.

The Board of Education and Key Administrative Personnel

The Board governs all activities related to public education within the jurisdiction of the District. The Board consists of five members. Each Board member is elected by the public for a four-year term of office, and elections for the Board are staggered every two years. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations and is accountable for all fiscal matters relating to the District.

The current members of the Board and positions held are set forth in the following table.

District Board of Education
Washington Unified School District

Name	Title	Term Expires
Teresa Blackmer	President	December 2012
Adam Menke	Vice President	December 2014
Mary Leland	Member	December 2012
Dave Westin	Member	December 2012
Elizabeth Bagdazian	Member	December 2014

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. The current members of the District's administration and positions held are set forth on page "iii" of this Official Statement.

Schools and Enrollment

The District operates seven elementary schools, one adult education school, one comprehensive high school, one alternative high school and one independent study school.

Student enrollment of a public school district in the State determines to a large extent State funding for program, facilities and staff needs. Average daily attendance ("ADA") is a measurement of the enrollment of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. See "STATE FUNDING OF PUBLIC EDUCATION" herein.

Set forth in the exhibit below is the District's Period 2 ADA for grades kindergarten through twelve (excluding county supplement, adult education and charter school ADA).

Average Daily Attendance
Washington Unified School District

Year	2008-09	2009-10	2010-11	2011-12	2012-13*
P-2 ADA	6,711	6,818	6,885	6,987	6,987

*Budgeted

Charter Schools

There are two charter schools operating within the District, West Sacramento Early College Prep Charter School and the Sacramento Valley Charter School. West Sacramento Early College Prep Charter School currently serves grades six through ten, with enrollment of approximately 170 students. The Sacramento Valley Charter School serves students grades kindergarten thru six with an enrollment of 110 students (see "APPENDIX A" herein for more information).

To the extent charter schools draw students from District schools and reduce District enrollment, charter schools can adversely affect District revenues. However, certain per-pupil expenditures of the District also decrease based upon the number of students enrolled in charter schools.

Pursuant to Proposition 39, school districts are required to provide facilities comparable to those provided to regular District students for charter schools having a projected average daily attendance of at least 80 students residing within that district.

Teacher-to-Pupil Ratios

Set forth in the following table are the teacher-to-pupil ratios for the District, budgeted for fiscal year 2012-13.

Teacher-to-Pupil Ratios
Washington Unified School District

Kindergarten through 3rd Grade	20:1
4th Grade through 8th Grade	31:1
9th Grade through 12th Grade	30:1

Source: Education Data Partnership

Employee Relations

State law provides that employees of public school districts of the State are to be divided into appropriate bargaining units which then are to be represented by an exclusive bargaining agent. The District has two recognized bargaining agents for its employees: Washington Teachers Association, which represents all non-management certificated staff, and the California School Employees Association, which represents non-management classified employees.

Set forth in the following table are the District's bargaining units, number of employees by full-time equivalents ("FTEs") and contract status.

Bargaining Units, Number of Employees, and Contract Status
Washington Unified School District

Bargaining Unit	# of FTEs	Status
Washington Teachers Association	393	Unsettled for fiscal year 2012-13
California School Employees Association	277	Unsettled for fiscal year 2012-13

The District also employs 36 FTEs management and confidential employees that are not represented by a bargaining unit.

Pension Plans

All full-time employees of the District are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Classified employees are eligible to participate in the multiple-employer Public Employees' Retirement Fund of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

STRS operates under the State Education Code sections commonly known as the State Teachers' Retirement Law. Membership is mandatory for all certificated employees of public schools within the State meeting the eligibility requirements. STRS provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty-five.

Active plan members are required to contribute 8.0% of their salary, and the District is required to contribute an actuarially determined rate (8.25% in fiscal year 2012-13). The District's contribution to STRS was $2,173,103 for fiscal year 2010-11, is estimated to be $2,301,867 for fiscal year 2011-12, and is budgeted to be $2,285,249 for fiscal year 2012-13.

All full-time classified employees of the District participate in PERS, which provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and District resolution.

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate (11.417% in fiscal year 2012-13). The District's contribution to PERS was $1,032,329 for fiscal year 2010-11, is estimated to be $1,080,419 for fiscal year 2011-12, and is budgeted to be $1,108,436 for fiscal year 2012-13. For a more complete description of the District's pension plan and annual contribution requirements, see "APPENDIX A" attached hereto.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The pronouncement requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. GASB Statement No. 45 ("GASB 45") provides that agencies should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree other post-employment benefits ("OPEB"), for the period of time agreed in union contracts. GASB 45 was effective for the District beginning fiscal year 2008-09.

The District provides post-employment health care benefits to all employees who retire from the District on or after attaining age 55 and meeting negotiated contract requirements. Eligible retirees receive District paid benefits until the retiree reaches age 65. On June 30, 2012, 48 retirees met these eligibility requirements. Expenditures for post-retirement healthcare benefits are recognized as the premiums are paid and resulted in approximately $266,514 of expense for the year ended June 30, 2012.

The District has completed an actuarial study identifying the District's OPEB liability. The study determined the District's OPEB unfunded actuarial accrued liability ("UAAL") as of April 1, 2011 to be $3,885,814, and the annual required contribution ("ARC") to be $660,623. The District has not established a reserve to fund its UAAL. The District has budgeted $270,984 in expenditures for post-retirement healthcare benefits for fiscal year 2012-13.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and its finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

Accounting Practices

The District accounts for its financial transactions in accordance with the policies and procedures of the State 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 and the American Institute of Certified Public Accountants.

The District's financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net assets and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District's major and non-major funds. Governmental funds, including the District's General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See "NOTE 1" in "APPENDIX A" herein for a further discussion of applicable accounting policies.

The District's independent auditor for the fiscal year ended June 30, 2011 was James Marta & Company, Certified Public Accountants, Sacramento, California. The financial statements of the District as of and for the fiscal year ended June 30, 2011, are set forth in "APPENDIX A" attached hereto. The auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter.

Budget and Financial Reporting Process

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as federal and State school apportionments, taxes, use of money and property, and aid from other governmental agencies.

The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting format for school districts.

The fiscal year for all school districts is July 1 to June 30. The same calendar applies to the budgets of county offices of education, except that their budgets and reports go to the Superintendent of Public Instruction for review. The State budget, too, is extremely important since school districts depend on it for a substantial portion of their revenue. There is a very close timing in the summer between final approval of the State budget, school finance legislation, and the adoption of local district budgets. In some years, the State budget is not approved by the deadline, which forces school districts to begin the new fiscal year with only estimates of the amount of money they will actually receive.

The school district budgeting process involves continuous planning and evaluation. Within the deadlines, school districts work out their own schedules for considering whether or not to hire or replace staff, negotiating contracts with all employees, reviewing programs, and assessing the need to repair existing or acquire new facilities. Decisions depend on the critical estimates of enrollment, fixed costs, commitments in contracts with employees as well as best guesses about how much money will be available for elementary and secondary education.

The timing of some decisions is forced by legal deadlines. For example, preliminary layoff notices to teachers must be delivered in March, with final notices in May. This necessitates projecting enrollments and determining staffing needs long before a school district will know either its final financial positions for the current year or its income for the next year.

The governing board must submit a budget to the County Superintendent of Schools by July 1, and a publicized opportunity for public participation in the budget process is required by law. There are two options for budget adoption. School districts may adopt their budgets by July 1 and then revise and readopt them by September 8 after a public hearing. Alternatively, school districts may decide, by the previous October 31, to hold public hearings before adopting their budgets by July 1. School districts choosing this option revise their revenues and expenditures after the State budget act is adopted, without a second public hearing. All school districts must perform a criteria and standards review before budget adoption. In addition, those school districts on the alternative schedule for adoption must repeat the review before their revision only if the July 1 budget was disapproved. Legislation requires criteria and standards for stringent review of school districts' finances, focusing primarily on predictions of actual daily attendance, operating deficit, and reserves. The legislation also dictates when and how outside committees, or an appointed trustee in emergency situations, must work with school districts. This oversight is part of an effort to reduce the number of districts in financial trouble and to increase the responsible use of tax dollars.

The county superintendents monitor all school districts' budgets, ongoing financial obligations and multi-year contracts. They have specific powers for recommending actions to revise budgets. They are not, however, authorized to abrogate existing collective bargaining agreements. School districts must review their financial position for the periods ending October 31 and January 31 in order to certify their ability to meet commitments through the rest of the school year.

Each school district is required by the State Education Code to file these two interim reports each year by not later than December 15 and March 15. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. The county offices of education must then, within 30 days, evaluate the interim reports and forward their comments to the State Department of Education and the State Controller's Office. Included in the report is a certification by the president of the governing board of each school district that classifies the school district according to its ability to meet its financial obligations. The certifications are grouped into three categories: positive certification, which designates that the school district will be able to meet its financial obligations for the remainder of the fiscal year and the following two years; qualified certification, which means that the school district may not be able to meet its financial obligations for the remainder of the fiscal year and following two years if certain events occur; and negative certification, which signifies that the school district will not be able to meet its financial obligations for the remainder of the fiscal year or of the following year. A certification by the governing board may be overridden by the county superintendent. If either the first or second interim report is not positive, the county superintendent may require the district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the district). The same calendar applies to the budgets of county offices of education, except that their budgets and reports go to the State Superintendent of Public Instruction for review.

The county superintendent must annually present a report to the governing board of the school district and the State Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, qualified interim certification, or negative interim certification, or that is determined at any time to be in a position of fiscal uncertainty, pursuant to Education Code Section 42127.6. Any school district with a qualified or negative certification must allow the county office of education at least ten working days to review and comment on any proposed agreement made between its bargaining units and the school district before it is ratified by the board (or the state administrator). The county superintendent will notify the school district, the county board of education, the governing board and the district superintendent (or the state administrator), and each parent and teacher organization of the school district within those ten days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district. Also, pursuant to Education Code Section 42133, a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or the next succeeding fiscal year, non-voter approved debt unless the county superintendent of schools determines that the repayment of that debt by the school district is probable.

The filing status of the District's interim reports for the past five years appears in the following table.

Certifications of Interim Financial Reports
Washington Unified School District

Fiscal Year	First Interim	Second Interim
2007-08	Positive	Positive
2008-09	Positive	Positive
2009-10	Positive	Positive
2010-11	Positive	Positive
2011-12	Positive	Positive

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ending June 30, 2011, have been included in the appendix to this Official Statement. See "APPENDIX A" herein. Audited financial statements and other financial reports for all prior fiscal years are on file with the District and available for public inspection during normal business hours. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 "N" Street, Suite 13, Sacramento, California, 95814-5609, Tel. (916) 444-5100.

The following illustration sets forth certain General Fund information for the District.

Historical General Fund Activity
Washington Unified School District

	2008-09 Audited	2009-10 Audited	2010-11 Audited	2011-12 Estimated	2012-13 Budget
BEGINNING BALANCE	$9,787,376	$11,365,374	$12,013,022	$13,604,997	$12,610,612
REVENUES					
Revenue Limit Sources	$37,802,871	$34,595,951	$36,562,937	$36,821,246	$37,085,982
Federal Revenue	7,153,809	7,538,408	6,572,505	6,502,119	4,365,788
Other State Revenues	8,602,101	9,889,345	9,640,952	9,678,285	9,113,316
Other Local Revenues	3,554,589	3,482,780	3,189,218	3,350,638	2,680,758
TOTAL REVENUES	$57,113,370	$55,506,484	$55,965,612	$56,352,288	$53,245,844
EXPENDITURES					
Certificated Salaries	$25,337,514	$26,029,661	$26,465,039	$27,290,656	$26,973,541
Classified Salaries	9,434,207	9,381,947	8,644,968	8,670,803	8,243,103
Employee Benefits	10,308,151	10,229,284	10,027,606	10,397,926	10,101,030
Books and Supplies	2,877,633	2,712,599	2,214,572	2,709,458	1,783,588
Services / Other Operating Exp.	7,020,737	6,603,306	6,730,560	7,548,776	6,610,790
Capital Outlay	173,310	185,477	269,022	662,579	500,000
Other Outgo	60,580	83,889	259,472	15,547	(63,486)
Debt Service	251,687	91,097	0	0	0
TOTAL EXPENDITURES	$55,463,819	$55,317,260	$54,611,239	$57,295,745	$54,148,566
OTHER FINANCING SOURCES	($71,553)	$458,424	$195,635	($50,928)	$0
NET INCREASE (DECREASE)	$1,577,998	$647,648	$1,550,008	($994,385)	($902,722)
ENDING BALANCE	$11,365,374	$12,013,022	$13,604,997	$12,610,612	$11,707,890

Revenues

The District categorizes its General Fund revenues into four primary sources: revenue limit sources, federal revenues, other state revenues and other local revenues.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, the state revenue limit for a school district is calculated by multiplying a “base revenue limit” per student by the school district’s student enrollment measured in units of ADA. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. The District’s base revenue limit per unit of ADA was $6,391.21 for fiscal year 2010-11 (before application of a deficit factor of 0.80246), is estimated to be $6,534.21 in fiscal year 2011-12 (before application of a deficit factor of 0.79398) and is budgeted to be $6,747.21 in fiscal year 2012-13 (before application of a deficit factor of 0.77728).

Revenue limit sources accounted for approximately 65.3% of total General Fund revenues in fiscal year 2010-11, are estimated to be 65.3% of General Fund revenues in fiscal year 2011-12 and are budgeted to be 69.7% of General Fund revenues in fiscal year 2012-13. School district’s revenue limit funding is typically accomplished by a mix of a) local property taxes, and b) State apportionments of basic and equalization aid. Generally, the State's apportionments amount to the difference between the District's revenue limit and its local property tax revenues. Local taxes accounted for approximately 21.4% of revenue limit sources in fiscal year 2010-11, are estimated to be 20.2% of General Fund revenues in fiscal year 2011-12 and are budgeted to account for approximately 20.1% of revenue limit sources revenue in fiscal year 2012-13.

Federal Revenues. The federal government provides funding for several District programs. These federal revenues, most of which historically have been restricted, were 11.7% of General Fund revenues in fiscal year 2010-11, are estimated to be 11.6% of General Fund revenues in fiscal year 2011-12 and are budgeted to be 7.8% of General Fund revenues in fiscal year 2012-13.

Other State Revenues. In addition to apportionment revenues, the State provides funding for several District programs. While the majority of these other State revenues have historically been restricted, the State budget for fiscal year 2011-12 extended spending flexibility through 2014-15 for a variety of categorical programs. These other State revenues were 17.2% of General Fund revenues in fiscal year 2010-11, are estimated to be 17.3% of General Fund revenues in fiscal year 2011-12 and are budgeted to be 16.3% of General Fund revenues in fiscal year 2012-13. Included in other State revenues are proceeds received from the State from the California State Lottery.

Other Local Revenues. In addition to property taxes, District receives additional local revenues. Other local revenues were 5.7% of General Fund revenues in fiscal year 2010-11, are estimated to be 6.0% of General Fund revenues in fiscal year 2011-12 and are budgeted to be 4.8% of General Fund revenues in fiscal year 2012-13.

Expenditures

The largest components of a school district's general fund expenditures are certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits. Even with no negotiated cost of living increases or changes in staffing levels, normal "step and column" advancements on the salary scale result in increased salary expenditures. The District has budgeted no cost of living increases for fiscal year 2010-11.

Employee salaries and benefits were approximately 82.7% of General Fund revenues in fiscal year 2010-11, are estimated to be 80.9% of General Fund expenditures in fiscal year 2011-12, and are budgeted to be 83.7% of General Fund expenditures in fiscal year 2012-13.

Short-Term Borrowings

The District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the District during previous fiscal years have been used to reduce interfund dependency and to provide the District with greater overall efficiency in the management of its funds. Most recently, on November 24, 2011, the District issued tax and revenue anticipation notes in the principal amount of $2,725,000. The notes were rated "SP-1+" by Standard & Poor's Financial Services LLC, and matured June 30, 2012. The District has never defaulted on any of its short-term borrowings.

Capitalized Lease Obligations

The District has made use of various capital lease arrangements in the past under agreements that provide for title of items and equipment being leased to pass to the lessee district upon expiration of the lease period. Under each such agreement, the District Board has promised to annually appropriate the amounts necessary to make all future lease payments from available revenues. All lease and capitalized lease obligations of the District as of June 30, 2011, are set forth in "APPENDIX A" attached hereto.

The District has one series of certificates of participation outstanding, as shown in the following table.

Certificates of Participation
Washington Unified School District

Date Issued	Final Maturity	Amount Issued	Outstanding as of August 31, 2012	Debt Service in Fiscal Year 2011-12
June 28, 2007	August 1, 2037	$70,645,000	$69,380,000	$4,729,156

In April 2010, the District issued a real-property lease-purchase qualified school construction bond (QSCB) in the amount of $8,885,432 as summarized in the following table.

Qualified School Construction Bond
Washington Unified School District

Date Issued	Final Maturity	Amount Issued	Outstanding as of August 31, 2012	Debt Service in Fiscal Year 2012-13[1]
April 9, 2010	March 15, 2026	$8,885,432	$8,885,432	$681,513

[1]Debt service includes $555,340 required to be deposited annually into a sinking fund for the repayment of the principal of the QSCB at maturity in 2026.

The District anticipates issuing approximately $7.3 million of lease-purchase clean renewable energy bonds in October 2012.

Long-Term Borrowings

In a general election held on November 2, 1999 (the "1999 Election"), voters within the District authorized the issuance of not to exceed $17.54 million of general obligation bonds. Bonds from the 1999 Election were issued in two series, $10,070,000 in May 2001, and $7,469,422 in March 2007. In November 2010, the District issued 2010 General Obligation Refunding Bonds to refund a portion of the 1999 Election bonds issued in 2001. In the 2004 Election, voters within the District authorized the issuance of not to exceed $52 million of general obligation bonds. Bonds from the 2004 Election were issued in two series, $39,999,040 in August 2004, and $12,000,434 in November 2006.

The following table sets forth the District's general obligation bond issuances.

General Obligation Bonds
Washington Unified School District

Authorization	Date Issued	Final Maturity	Amount Issued	Outstanding as of August 31, 2012	Debt Service in Fiscal Year 2012-13
1999 Election	March 2007	August 1, 2031	7,469,422	7,299,422*	238,819
1999 Election	November 2010	August 1, 2025	9,510,000	8,845,000	704,150
2004 Election	August 2004[1]	August 1, 2029	39,999,040	11,779,040*	1,677,269
2004 Election	November 2006	August 1, 2031	12,000,434	11,190,433*	428,075

* Excludes accreted interest for outstanding capital appreciation bonds.
Note 1: To be refunded in part with the proceeds of this issue.

All outstanding bonds and long-term liabilities of the District as of June 30, 2011, are set forth "APPENDIX A" attached hereto. The District has never defaulted on any of its long-term bonded indebtedness.

STATE FUNDING OF PUBLIC EDUCATION

The information in this section concerning State funding of public 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 Bonds is payable from State revenues. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal and interest on the Bonds.*

Sources of Revenues for Public Education

Sources of Revenues. The State's K-12 education system is supported primarily from State revenues, mostly sales and income taxes. The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES & EXPENDITURES"). As a result, changes in State revenues may affect appropriations made by the State to school districts. State revenue sources for school districts are supplemented with local property taxes, federal aid, local miscellaneous funds, and the California lottery.

In recent years, approximately 58% of all funds for California K-12 public education came from the State budget, which is required to be proposed by the Governor by January 10 and adopted by June 15 of each year (although the State often is late adopting the budget). Approximately 21% of funding for K-12 education comes from local property taxes. The California Constitution limits property taxes to one percent of the value of property; property taxes may only exceed this limit to repay voter-approved debt.

Statewide, approximately 13% of school districts' revenues come from the federal government, and about 6% come from local miscellaneous sources. The latter category includes items such as food sales, money for debt repayment, interest on reserves and, in some cases, more significant sources such as developer fees and parcel taxes. Developer fees are fees that school districts can levy on new residential or commercial development within their boundaries to finance the construction or renovation of school facilities. Many school districts also seek grants or contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses. School districts that still have unused school buildings or sites can lease or sell them for miscellaneous income as well. A significant number of school districts have secured the required two-thirds approval from local voters to levy special taxes on parcels or residences and/or have won voter approval, with either a two-thirds vote or a 55% majority, to sell general obligation bonds or to establish special taxing districts for the construction of schools. Use of such taxes is restricted by law.

The final revenue source for school districts is the California State Lottery. Approved by voters in late 1984, the lottery generates about 1% of total school revenues. Every three months the Lottery Commission calculates 34% of lottery proceeds for all public education institutions, the minimum according to the lottery law. Every K-14 school district receives the same amount of lottery funds per pupil from the State, which may be spent for any instructional purpose, excluding capital projects.

No other source of general purpose revenues is currently permitted for schools. Proposition 13 eliminated the possibility of raising additional *ad valorem* property taxes for general school support, and the courts have declared that fees may not be charged for school-related activities such as busing services.

The State Revenue Limit. The State Revenue Limit establishes a mechanism to calculate the amount of revenue a school district, community college district or county board of education is entitled to receive from State and local sources. Each school district has its own target amount of funding from State funds and local property taxes per ADA. The ADA is the average number of pupils attending school over the year. This target is known as revenue limit, and the funding from this calculation forms the bulk of all school districts' income. The State Legislature usually grants annual cost-of-living adjustments (COLAs) to revenue limits. The exact amount depends on whether the school district is an elementary, high school or a unified school district.

Apportionments for revenue limits are calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of the California Community Colleges with respect to community college districts, which, respectively, reviews the calculations for accuracy, calculates the amount of state aid owed to such school district or community college district, as the case may be, and notifies the State Controller of the amount, who then distributes the state aid.

School districts that receive their revenue limit income entirely from property taxes are called "basic aid" school districts. Basic aid school districts are permitted to keep all their property tax money (even if it exceeds their revenue limit). As guaranteed in the State Constitution, the State must apportion $120 per pupil. However, the categorical aid (see below) that school districts receive counts toward this requirement. The District is not a basic aid school district.

Distribution of Revenues for Public Education

General Purpose. The largest part of each school district's revenue funds general operating expenses associated with providing education, including salaries, benefits, supplies, textbooks and regular maintenance. As previously mentioned, the Revenue Limit governs the amount each school district receives. Each school district also receives some State and federal money for special programs, special costs, or categories of children with particular educational needs, called "categorical aid."

Categorical Aid. This special support goes into a school district's General Fund, but its expenditure is restricted to the purpose for which it is granted. About seventy-five percent (75%) of the total money generated for education is for general purposes, and about twenty-five percent (25%) is for categorical aid. The complex allocation system is adjusted somewhat by the State Legislature almost every year, with unpredictable effects on individual school districts.

There are a number of major federal and State categorical aid programs. Some allocations come automatically to school districts, while others require an application. Some programs are based on the characteristics of the children or families in a particular school district, such as gifted and talented, non-English speaking, migrant, low income or handicapped students. Other programs are for specific activities or expenses, such as transportation, textbooks or childcare. Each year a large amount of aid is allocated directly to the State Teachers' Retirement System (STRS) fund. For the past several years, supplemental grants have been directed to equalizing school districts' income from revenue limits plus specific categoricals. Most of the federal funds flow through the California Department of Education, which retains a certain percentage for administration.

In terms of dollars and the number of children served, the largest categorical aid program is special education under the Individuals with Disabilities Act. According to court decisions and federal and California law, school districts are responsible for the appropriate education of each handicapped child from age 3 to 21 who lives within their boundaries. The allocations do not cover the cost of educating them. School districts are required to contribute a certain amount of general purpose funds for Special Education, and many spend much more. This is known as "encroachment."

School Facilities. Growing enrollments and/or aging facilities require school districts to build or make major renovations to school buildings. The income from developer fees on residential or commercial property is insufficient to fund all facilities costs. General obligation bond moneys issued by a two-thirds voter approval may only be used for purchase or improvement of real property; general obligation bond moneys issued by 55% voter approval (pursuant to Proposition 39) can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities. See "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING REVENUES & EXPENDITURES" herein. Mello-Roos taxes can be used for this as well as for ongoing maintenance or purchase of needed equipment. A majority of voters has regularly approved state bond measures for the construction or reconstruction of schools.

Recent State Budgets

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

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the

State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

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

State IOUs and Deferrals of Education Funding. In recent years, fiscal stress and difficulties in achieving a balanced State budget have resulted in actions which include the State issuing IOUs (defined below) to its creditors, and the deferral of school funding.

On July 2, 2009, as a result of declines in State revenues commencing in fiscal years 2008-09, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority State obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of recipients, bore interest. With enactment of an amended budget in late July 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s.

Furthermore, commencing in fiscal year 2008-09, to better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-09 through 2011-12. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year.

Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State. The Department of Finance has projected that multi-billion dollar budget gaps will occur annually for several years in the future, although the 2012-13 Budget described below includes measures that are intended to address these budgetary difficulties.

<u>2012-13 State Budget</u>

Adopted Budget. On June 27, 2012, the Governor signed the fiscal year 2012-13 State budget (the "2012-13 Budget"). The 2012-13 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 the Governor's tax initiative, "The Schools and Local Public Safety Protection Act", at a November 2012 election) and (iii) $2.5 billion from certain loan and transfer measures.

The Schools and Local Public Safety Protection Act proposes to temporarily increase the personal income tax on the State's wealthiest taxpayers for seven years and increase the sales tax by 0.25% for four years. The measure would generate an estimated $8.5 billion in revenues through fiscal year 2012-13.

The 2012-13 Budget contains the following spending reduction measures:

- Reformation of existing K-14 education mandates claim process by providing a block grant as an alternative. For non-school mandates, provides a multiyear suspension of most mandates to provide greater flexibility to local governments. ($720 million savings)
- Creation of framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services. Assets transferred to schools will offset State general fund costs. ($1.5 billion savings)
- Other adjustments including using a fiscal year 2011-12 over-appropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. ($1.9 million savings)

State general fund revenues (including transfers) are budgeted to be approximately $95.9 billion in fiscal year 2012-13, an increase of 10.4% from a revised fiscal year 2011-12 State general fund revenues and transfers of $86.8 billion. State general fund expenditures are budgeted to be $91.4 billion in fiscal year 2012-13, an increase of 5.0% from a revised $87.0 billion figure for fiscal year 2011-12.

The following table identifies historical and budgeted State general fund revenues and expenditures.

State General Fund under the 2012-13 Budget

	2011-12 Revised (Millions)	2012-13 Budget (Millions)
Prior-year Fund Balance	($2,685)	($2,882)
Revenues and Transfers	86,830	95,887
Total Resources Available	84,145	93,005
Expenditures	87,027	91,338
Ending Fund Balances	($2,882)	$1,667
Encumbrances	719	719
Reserve	(3,601)	948

Source: The California Department of Finance

K-12 Education. The 2012-13 Budget includes Proposition 98 funding of $53.6 billion, of which $36.8 billion is from the State general fund. This funding level assumes passage of The Schools and Local Public Safety Protection Act, which increases Proposition 98 funding by $2.9 billion in fiscal year 2012-13.

Other significant K-12 funding adjustments include:

- *Redevelopment Agency Asset Liquidation* – 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. The increase in local revenue reduces Proposition 98 State general fund contribution by an identical amount.
- *Proposition 98 Adjustments* – A decrease of approximately $630 million due to (i) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax gasoline in 2010-11, and (ii) using a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces current year appropriations for a number of different programs by $220.1 million, backfilling them with one-time Proposition 98 general fund, which achieves State general fund savings by an identical amount.
- *Quality Education Investment Act* – A decrease of $450 million State general fund for fiscal year 2012-13. The over-appropriation in fiscal year 2011-12 will be used to repay the $450 million required to be provided on top of the minimum guarantee in fiscal year 2012-13 pursuant to the *California Teachers Association v. Schwarzenegger* settlement agreement.
- *Deferrals* – An increase of $2.1 billion Proposition 98 State general fund to reduce K-12 inter-year deferrals to $7.4 billion.
- *Charter Schools* – An increase of $53.7 billion Proposition 98 State general fund for charter schools categorical programs to fund growth in enrollment. Additionally, legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to utilize temporary revenue anticipation note borrowings.
- *Mandate Block Grant* – An increase of $86.2 million over the fiscal year 2011-12 funding level to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant.
- *Child Care Costs* – Savings of $294.3 million in non-Proposition 98 State general fund through various cost-reduction measures, including reduction of provider contracts across the board and suspension of statutory COLA.

If The Schools and Local Public Safety Protection Act is not approved by voters in November 2012, automatic trigger cuts of approximately $5.4 billion for K-14 schools would be implemented effective January 1, 2013. Such trigger cuts equate to a reduction in funding of approximately $457 per ADA. To accommodate this mid-year reduction, school districts are authorized (subject to collective bargaining) to reduce the school year to 160 days for fiscal years 2012-13 and 2013-14, 15 days shorter than the 175 instructional days currently required.

Future Budgets

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 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 as budgeted. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

Litigation Challenging State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution.

On January 14, 2011, the Superior Court dismissed major portions of the Robles Complaint, allowing the plaintiffs to proceed only on the question of whether the State's public education funding scheme provides equal opportunities to students throughout the State but rejecting that part that claimed that the State constitution mandates an overall qualitative standard for public education. On July 26, 2011, the Superior Court rejected the plaintiffs' amended complaint as not stating an equal protection claim but allowed them to amend their complaint, if filed by August 25. On August 22, 2011, the Superior Court granted the plaintiffs' request for an extension of time to file their amended complaint until September 26, 2011. No amended complaint was filed.

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the City and County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Treasurer, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District is not a party to the Robles Complaint or the CSBA Petition. The District cannot predict whether any of the plaintiffs listed in the Robles Complaint or the CSBA Petition will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the Robles Complaint or the CSBA Petition would affect the financial status of the District or the State.

CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on: (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (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 bond proposition.

Section 2 of Article XIIIA defines “full cash value” to mean the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. 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 restored value of the damaged property. The California courts have upheld the constitutionality of this procedure, as described below. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

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 XIII A. 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. A drop in assessed valuation would not result in any long-term loss of taxes levied to pay the District’s bonds, but would instead cause the County to raise the rate of *ad valorem* taxes to generate revenues sufficient for the payment of principal of and interest on such bonds.

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIIC and XIIID to the State Constitution, 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. 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. Article XIIIC also 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 XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State, and each local government entity, has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

Future Initiatives. Articles XIIIA, XIIIB, XIIIC, and XIIID, and 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.

LEGAL MATTERS

No Litigation

There is no action, suit or proceeding known to be pending or threatened restraining or enjoining the sale and delivery of the Bonds, or in any way contesting or affecting the validity thereof or any proceeding of the District taken with respect to the issuance or sale of the Bonds, or the pledge or application of moneys or security provided for the payment of the Bonds, or the authority of the County to levy property taxes to pay principal and interest on the Bonds when due.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in "APPENDIX C" to this Official Statement. Other than the statements contained under the captions "THE BONDS," SECURITY AND SOURCES OF

PAYMENT" and "LEGAL MATTERS-Tax Matters," insofar as such statements purport to summarize certain provisions of the Bonds and the Resolution and its opinion concerning federal tax matters relating to the Bonds, Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Tax Matters

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within their respective knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the IRS, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

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

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in "APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL."

Legality for Investment

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the State Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATING

Standard & Poor's Financial Services LLC ("S&P"), a division of The McGraw-Hill Companies Inc., has assigned a municipal bond rating of "A+" to the Bonds. Such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from S&P at the following address: Standard & Poor's Financial Services LLC, 55 Water Street, New York, New York 10041. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

Government Financial Strategies inc. has been employed by the District to perform financial advisory services in relation to the sale and delivery of the Bonds. Government Financial Strategies inc., in its capacity as financial advisor, has read and participated in drafting certain portions of this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Bonds. Fees charged by Government Financial Strategies inc. are not contingent upon the sale of the Bonds.

INDEPENDENT AUDITORS

The general purpose financial statements of the District as of and for the year ending June 30, 2011, have been audited by James Marta & Company, Certified Public Accountants, Sacramento, California. Selected information concerning the financial statements of the District as of and for the year ended June 30, 2011, are set forth in "APPENDIX A" attached hereto. The District has not requested nor did the District obtain permission from James Marta & Company to include the audited financial statements as an appendix to this Official Statement. James Marta & Company has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter. Complete copies of all past and current financial statements may be obtained from the District.

UNDERWRITING AND INITIAL OFFERING PRICE

The Bonds were sold to Citigroup Global Markets Inc. (the "Underwriter") pursuant to a bond purchase agreement by and among the District and the Underwriter for $23,697,877.16, an amount equal to the principal amount of the Bonds, plus an original issue premium of $2,615,210.10, less an underwriting discount of $697,332.94 at a true interest cost (TIC%) to the District of 1.936438%.

The Underwriter has certified the initial offering prices or yields stated on the cover page to this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices. The reoffering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report"), by not later than March 31 of each year, commencing with the report for the 2011-12 fiscal year (which is due no later than March 31, 2013), and to provide notices of the occurrence of certain enumerated events. The Annual Report and any notices of events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Report or the notices of significant events is summarized in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

Due to an administrative oversight, the District filed its annual report for fiscal year 2010-11 in September 2012, after the required submission dates of March 1, 2012 and April 1, 2012 as specified in prior undertakings with regard to the Rule. To ensure future filings are made in a timely manner, the District has consolidated the dissemination agent responsibilities for its prior undertakings with regard to the Rule with one dissemination agent, Government Financial Strategies. As of the date of this Official Statement, all required filings have been made in connection with prior undertakings.

ADDITIONAL INFORMATION

Additional information concerning the District, the Bonds or any other matters concerning the sale and delivery of the Bonds may be obtained by contacting the District through the Assistant Superintendent of Business Services at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting Government Financial Strategies inc. at the address and telephone number set forth on page "iii" of this Official Statement.

The execution and delivery of this Official Statement by the District has been duly authorized by its governing board.

Washington Unified School District

By: /s/ Dayton Gilleland, Ed.D.
Dayton Gilleland, Ed.D.
Superintendent

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APPENDIX A

THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDING JUNE 30, 2011

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WASHINGTON UNIFIED SCHOOL DISTRICT

COUNTY OF YOLO
WEST SACRAMENTO, CALIFORNIA

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2011

WASHINGTON UNIFIED SCHOOL DISTRICT

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James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Washington Unified School District
West Sacramento, CA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Unified School District (the "District"), as of and for the year ended June 30, 2011, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Unified School District as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Management's Discussion and Analysis, the General Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefit (OPEB) Funding Progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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e-mail: jmarta@jpmcpa.com www.jpmcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington Unified School District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the Schedule of Expenditure of Federal Awards which is required by OMB Circular A-133, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

James Marta & Company

James Marta & Company
Certified Public Accountants

December 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Washington Unified School District's annual financial report presents District management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

INTRODUCTION

Washington Unified School District, founded in 1957, is located in the City of West Sacramento. The city covers a 23 square mile area in eastern Yolo County along the west bank of the Sacramento River, opposite the City of Sacramento. The District serves an ethnically diverse and growing population of approximately 7,289 students. The District has five K-8 schools, one K-5 school, one K-2 school, and one 3-8 school. In addition, the District has one comprehensive high school, a continuation high school, an independent study program and an adult education program. We believe in our motto: Together We Can Make a Difference.

FINANCIAL HIGHLIGHTS

- The Adopted Budget Unrestricted General Fund projected a deficit of ($324,320) and the Adopted Budget Restricted General Fund projected a deficit of ($531,663). The year ended with a surplus of $2,283,600 in the Unrestricted General Fund. This swing is significant and highlights the volatility of funding for education in the State of California.
- Contributions to restricted programs were $270,780 less than projected at the second financial reporting period, unspent one-time federal dollars, and continued State categorical program flexibility accounted for the majority of the $2.6M swing in the ending balance of the Unrestricted General Fund.
- The Unrestricted General Fund ended the year with a fund balance of $11,922,586. A fund balance policy was adopted in accordance with Governmental Accounting Standards Board Statement 54. The adopted policy requires a minimum fund balance reserve of 6.5%. For fiscal year 2010-2011 this amount was $3,533,555.
- Capital outlay expenditures were approximately $12.7M across all funds. The majority of these expenditures are attributable to the District's energy efficiency and solar power generation programs. The programs will be completed at the end of calendar year 2011, and are expected to produce on-going cost savings of approximately $125,000 per year over the life of the systems affected.
- The Federal and State government continue to attempt to recover from an ongoing international recession. The district received final federal stimulus funding from its entitlements of the American Recovery and Reinvestment Act (ARRA), as well as funding from the Federal Education Jobs Funds Program. Although this funding has been helpful, it is one-time in nature and any unspent money pushed into future fiscal periods artificially inflates the General Fund's ending fund balance in the short-term. The Board of Education continues to direct the District Administration to be fiscally prudent in its budgeting methodologies and to anticipate the impact of the loss of one-time stimulus funding to the on-going operations of the District.
- The District Administration continues to be proactive with the board, bargaining units, and community stakeholders to convey the District's fiscal position in a very transparent manner. The District maintains a positive certification with its fiscal oversight agent while acknowledging that continued fiscal solvency will require prudent action(s) in the coming fiscal years. All governmental funds ended with positive ending fund balances, and the District's cash position was positive.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information and (4) supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

REPORTING THE DISTRICT AS A WHOLE

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

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial positio*n. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating.

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

In the *Statement of Net Assets* and the *Statement of Activities*, District activities are separated as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

THE DISTRICT AS TRUSTEE

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $140.4 million for the fiscal year ended June 30, 2011. Of this amount, $41.3 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Table 1 below focuses on the net assets of the District’s governmental activities, and Table 2 focuses on the change in net assets of the District's governmental activities.

Table 1

(Amounts in millions)	2011 Governmental Activities	2010 Governmental Activities	2009 Governmental Activities
Current and other assets	$ 54.7	$ 60.6	$ 56.1
Capital Assets	242.9	241.2	242.7
Total Assets	**297.6**	**301.8**	**298.8**
Current liabilities	9.6	10.4	8.9
Long-term liabilities	147.6	148.2	140.8
Total Liabilities	**157.2**	**158.6**	**149.7**
Net assets			
Invested in capital assets, net of related debt	92.4	95.3	107.6
Restricted	6.7	41.1	36.8
Unrestricted	41.3	6.8	4.7
Total Net Assets	**140.4**	**$ 143.2**	**$ 149.1**

Changes in Net Assets
The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see total revenues for the year.

Table 2

(Amounts in millions)	2011 Governmental Activities	2010 Governmental Activities	2009 Governmental Activities
Revenues			
Program revenues:			
Charges for services	$ 0.6	$ 0.6	$ 0.7
Operating grants and contributions	18.8	18.4	19.5
Capital grants and contributions	2.1	-	41.2
General revenues:			
State revenue limit souces	34.9	31.9	32.4
Property taxes	12.7	12.7	13.7
Other general revenues	1.5	3.8	2.6
Total Revenues	**70.6**	**67.4**	**110.1**
Expenses			
Instruction and instruction-related activities	42.0	42.6	41.4
Student support services	7.1	7.3	7.2
Administration	4.3	4.3	4.5
Plant services	12.4	12.7	9.8
Other	7.6	6.3	6.8
Total Expenses	**73.4**	**73.2**	**69.7**
Change in Net Assets	**(2.8)**	**(5.8)**	**40.4**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all our governmental activities this year was $73.4 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $12.7 million because the cost was paid by those who benefited from the programs ($ .6 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($18.8 million). We paid for the remaining "public benefit" portion of our governmental activities with $38.5 million in State funds and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's five largest functions: Instruction and instruction related activities, Pupil services, General administration, Plant services, and other, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	2011		2010		2009	
	Total	Net	Total	Net	Total	Net
	Cost of Svcs.		Cost of Svcs.		Cost of Svcs.	
Instruction and instruction related activities	$ 42.0	$ 28.3	$ 42.6	$ 30.4	$ 41.4	$ (13.1)
Pupil services	7.1	2.3	7.3	2.5	7.2	2.6
General administration	4.3	3.2	4.3	3.0	4.5	3.6
Plant services	12.4	11.6	12.7	12.3	9.8	9.0
Other	7.6	6.6	6.3	6.0	6.8	6.1
Totals	**$ 73.4**	**$ 51.9**	**$ 73.2**	**$ 54.2**	**$ 69.7**	**$ 8.2**

THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. The Fund Balances shown on the Governmental Funds Balance Sheet are largely cash and cash equivalents, and do not show Capital Facilities Assets.

The General Fund is the District's principal operating fund. The fund balance in the General Fund increased from $12.0 million to $13.6 million, an improvement of $1.6 million. Planning for the reversion of costs paid with one-time federal dollars dictates that the District remains prudent in managing unnecessary uses of unassigned fund balance.

Capital Facilities Fund expenditures increased from $7.0 million to $12.7 million this year. The cost(s) associated with the District's energy efficiency program as well as the solar power generation facility account for the majority of this increase.

The District's Other Non-Major Governmental Funds remained stable from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal 2010-11 budget cycle was more typical than that of 2009-10, but still required the District to make assumptions and to develop contingency plans and what-if scenarios. As revenues decreased, the Administration enacted expenditure reductions to compensate for the lack of adequate funding. Reductions were made to administrative positions, including management staff, with an effort to maintain as much of the District's educational program offering as possible. Because of the ever changing fiscal bouncing ball, the budget was continually being monitored. The Administration reinforced its "spending" and "substitute" chill which created an environment in which site administrators were encouraged to question expenditures being made. Substitute staff personnel were used only when needed to cover for direct instruction or health or safety issues. These expenditure reduction programs helped to reduce cost(s) by nearly $275,000.

The budget continues to be dictated by conservative budgeting practices. There are no revenue streams associated with future growth, no assumption for future funding of COLA and no predictions of the outcomes of future funding reductions.

Federal Funds

Federal funding included one-time American Recovery and Reinvestment Act (ARRA), State Fiscal Stabilization Funds (SFSF), and Education Jobs funds. This influx of funding has helped mitigate budget shortfalls experienced by all educational institutions in the state. The District's Administration continues to be conservative with the allocation of these resources while being mindful of the intent under which the Federal Government allocated the funding.

Cash Flow

The concern over potential cash flow shortages remains as the State continues the practice of balancing its budget challenges by deferring payments to educational institutions. By being conservative in its allocation of resources, however, the District was able to improve its financial position and maintain a healthy cash reserve. The General Fund cash balance on June 30, 2011 was $4,916,327.

Capital Assets

At June 30, 2011, the District had $242.9 million in a broad range of capital assets net of accumulated depreciation, including land, buildings, vehicles, and furniture and equipment.

Table 4

(Amounts in millions)	2011 Governmental Activities	2010 Governmental Activities	2009 Governmental Activities
Land and construction in progress	$ 36.6	$ 33.7	$ 29.9
Buildings and Improvements	202.0	202.3	206.8
Equipment	4.3	5.2	6.0
Totals	**$ 242.9**	**$ 241.2**	**$ 242.7**

We present more detailed information about our capital assets in Note 4 to the basic financial statements.

Long-term Liabilities

The District issued $9.5 million new debt in the form of General Obligation Refunding Bonds during the 2010-11 year. The purpose of the issuance was to refund the District's 1999 Series A, G.O. Bonds. The net decrease to the District's total debt service was $.9 million.

Table 5

(Amounts in millions)	2011 Governmental Activities	2010 Governmental Activities	2009 Governmental Activities
General Obligation bonds	72.0	71.1	70.8
Certificates of participation	69.4	70.6	70.6
Compensated absences and retirement incentives	0.8	0.5	0.2
Capital leases	9.1	9.2	0.4
Totals	**151.3**	**151.4**	**142.0**

We present more detailed information regarding our long-term liabilities in Note 5 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Much has been done in prior years, but there is still more work to do. Revenue limit funding for fiscal year 2010-11 was restored with the reversal of the one-time $1,702,557 reduction in fiscal year 2009-10. As outlined in the Governor's May Revise budget, this increase was subsequently offset by a negative COLA and an on-going reduction to revenue limit funding. The Legislature delayed approval of a final budget until October 8, 2010; the latest budget in the history of the State of California. The 2010-11 budget eliminated the on-going reduction to the revenue limit, and while this is good for school districts, this is responsible for contributing to an estimated $6B deficit in the State's budget.

The District Administration will continue to evaluate and bring forward cost saving options. These include, but are not limited to, reduction of custodial services to 3 times per week, elimination/reduction of K-8 sports, closing of a small school, elimination/reduction of transportation services (which may be partially achieved by increasing the board-approved walking distances), elimination of 9th Grade CSR, increasing K-3 class size or eliminating participation in the K-3 CSR program, reduction of the number of high school counselors, elimination of freshman sports, salary concessions and release periods. At the 2011-12 First Interim Report presentation, the Administration presented to the Board of Education an update on the structural deficit the district may be facing depending on potential actions by the State. Given the continued sluggish economic recovery, we feel it is prudent to identify and act on potential solutions quickly, thus maximizing savings to the Unrestricted General Fund.

The District must continue to be cautious regarding the "artificial" nature of the increasing ending fund balance. The increase is not a sign of good times ahead; it is a function of the influx of one-time federal stimulus dollars and the movement of flexibility dollars from restricted to unrestricted funding. It must be noted that the movement of flexibility dollars and the infusion of federal stimulus dollars provide short-term relief to a long-term problem. The funding cliff created by the future loss of stimulus funding and State Budget manipulations cannot be ignored or minimized. Additionally, the District must account for QSCB bond payments in the ending fund balance; an amount that will increase by $555,000 per year. The District's multiyear projection tells the most accurate story of our fiscal condition. Although the current year looks passable, the District will need to ask tough questions and make difficult decisions to make it through the next few years.

Overall, given the current economic climate, the District's fiscal position remains stable. The Legislative Analyst's Office forecasts continued State budget deficits over the next several years. This continues to be a cause for concern and indicates future revenue reductions, beginning with fiscal year 2011-2012, will be almost certain. Whether additional revenue reductions are paired with additional flexibility dollars remains to be seen. Until then, the District must continue to stay ahead of the funding cliff(s), anticipated for fiscal years 2012-2013 and 2013-2014. Planning for their eventual arrival remains high on the priority list and will be the focus for the District's financial management team.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it received. If you have questions about this report or need any additional financial information, contact the Business Office, Washington Unified School District, 930 Westacre Road, West Sacramento, California 95691 or call 916-375-7600.

BASIC FINANCIAL STATEMENTS

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 41,158,132
Receivables	13,144,475
Prepaid expenses	311,018
Stores inventory	77,547
Capital assets, net of accumulated depreciation	242,893,850
Total Assets	297,585,022
LIABILITIES	
Accounts payable and other current liabilities	4,607,121
Deferred revenue	1,239,429
Long-term liabilities:	
Due within one year	3,774,741
Due in more than one year	147,554,341
Total Liabilities	157,175,632
NET ASSETS	
Invested in capital assets, net of related debt	92,382,498
Restricted	6,668,600
Unrestricted	41,358,292
Total Net Assets	$ 140,409,390

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

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	$ 36,608,202	$ 22,881	$ 10,411,857	$ 2,090,800	$ (24,082,664)
Instruction - related services:					
Supervision of instruction	1,207,452	-	620,047	-	(587,405)
Instructional library, media and technology	215,633	-	1,022	-	(214,611)
School site administration	3,929,692	4,796	550,966	-	(3,373,930)
Pupil Services:					
Home-to-school transportation	1,754,709	-	354,284	-	(1,400,425)
Food services	3,130,403	528,985	2,928,435	-	327,017
All other pupil services	2,238,839	477	1,048,187	-	(1,190,175)
General administration:					
Data processing	957,903	-	34,333	-	(923,570)
All other general administration	3,327,285	25,645	1,004,972	-	(2,296,668)
Plant services	12,437,989	838	862,439	-	(11,574,712)
Ancillary services	332,322	-	-	-	(332,322)
Interest on long-term debt	7,189,759	-	-	-	(7,189,759)
Other outgo	50,565	-	968,061	-	917,496
Total governmental activities	$ 73,380,753	$ 583,622	$ 18,784,603	$ 2,090,800	(51,921,728)

General Revenues	
Taxes and subventions:	
Taxes levied for general purposes	8,105,257
Taxes levied for debt service	3,352,204
Taxes levied for other specific purposes	1,216,108
Federal and state aid not restricted to specific purposes	34,916,866
Interest and investment earnings	274,197
Interagency revenues	157,290
Miscellaneous	1,082,905
Total general revenues	49,104,827
Change in net assets	(2,816,901)
Net Assets, July 1, 2010	143,226,291
Net Assets, June 30, 2011	$ 140,409,390

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

WASHINGTON UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Capital Facilities Fund	All Non-Major Funds	Totals
ASSETS				
Cash and cash equivalents	$ 4,916,327	$ 28,899,534	$ 7,342,271	$ 41,158,132
Accounts receivable	12,061,043	89,885	993,547	13,144,475
Prepaid expenses	950	-	-	950
Due from other funds	111,926	-	30,158	142,084
Stores inventory	29,970	-	47,577	77,547
Total assets	$ 17,120,216	$ 28,989,419	$ 8,413,553	$ 54,523,188
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 2,245,632	$ 82,016	$ 45,421	$ 2,373,069
Deferred revenue	1,239,429	-	-	1,239,429
Due to other funds	30,158	-	111,926	142,084
Total Liabilities	3,515,219	82,016	157,347	3,754,582
Fund balances				
Nonspendable	611,260	-	48,034	659,294
Restricted	1,681,463	-	4,987,137	6,668,600
Committed	-	-	1,965,441	1,965,441
Assigned	-	28,907,403	1,255,594	30,162,997
Unassigned	11,312,274	-	-	11,312,274
Fund balances	13,604,997	28,907,403	8,256,206	50,768,606
Total liabilities and fund balances	$ 17,120,216	$ 28,989,419	$ 8,413,553	$ 54,523,188

WASHINGTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total fund balances - governmental funds		$ 50,768,606
Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost:	$ 274,142,942	
Accumulated depreciation:	(31,249,092)	
Net Capital Assets:		242,893,850
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.		310,068
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(2,234,052)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	$ 72,032,269	
Other post-employment benefits	633,662	
Compensated absences payable	184,068	
Certificates of participation payable	69,380,000	
Capitalized lease obligations	9,099,083	
		(151,329,082)
Total net assets, governmental activities:		$ 140,409,390

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Capital Facilities Fund	All Non-Major Funds	Totals
REVENUES				
Revenue limit sources:				
State apportionment	$ 28,551,164	$ -	$ -	$ 28,551,164
Local sources	8,011,773	-	-	8,011,773
Total revenue limit	36,562,937	-	-	36,562,937
Federal revenue	6,572,505	-	2,854,650	9,427,155
Other state revenues	9,640,952	-	4,342,626	13,983,578
Other local revenues	3,189,218	3,382,561	4,018,397	10,590,176
Total revenues	55,965,612	3,382,561	11,215,673	70,563,846
EXPENDITURES				
Certificated salaries	26,465,039	-	756,167	27,221,206
Classified salaries	8,644,968	81,076	1,765,873	10,491,917
Employee benefits	10,027,606	30,639	831,794	10,890,039
Books and supplies	2,214,572	2,165	1,493,550	3,710,287
Services and other operating expenditures	6,730,560	972,131	157,374	7,860,065
Capital outlay	269,022	6,826,355	198,780	7,294,157
Other outgo	259,472	-	-	259,472
Debt service expenditures	-	4,764,485	3,427,535	8,192,020
Total expenditures	54,611,239	12,676,851	8,631,073	75,919,163
Excess(deficiency) of revenues over expenditures	1,354,373	(9,294,290)	2,584,600	(5,355,317)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	266,602	2,090,800	29,000	2,386,402
Operating transfers out	(29,000)	-	(2,357,402)	(2,386,402)
Other sources	-	-	9,616,387	9,616,387
Other uses	-	-	(9,289,425)	(9,289,425)
Total other financing sources (uses)	237,602	2,090,800	(2,001,440)	326,962
Net change in fund balances	1,591,975	(7,203,490)	583,160	(5,028,355)
Fund balances, July 1, 2010	12,013,022	36,110,893	7,673,046	55,796,961
Fund balances, June 30, 2011	$ 13,604,997	$ 28,907,403	$ 8,256,206	$ 50,768,606

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

WASHINGTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVTIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds	$ (5,028,355)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:	1,677,139
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	2,555,546
Amortization: In governmental funds, debt issue costs and bond refunding losses are recognized in the period they are incurred. In the government-wide statements, issue costs and refunding losses are amortized over the life of the debt. The difference between debt issue costs and refunding losses recognized in the current period and issue costs amortized over the period is:	(12,843)
Amortization: In governmental funds, bond premiums are recognized as Other Financing Sources in the period they are received in govemmental funds. In the government-wide statements, premiums are amortized over the life of the debt. The difference between premiums recognized in the current period and premiums amortized for the period are:	(17,782)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	(1,640,709)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	(9,278)
Postemployment benefits other than pensions (OPEB): In goernmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between OPEB costs and actual employer contributions was:	(340,619)
Total change in net assets - governmental activities	$ (2,816,901)

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

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

JUNE 30, 2011

	Foundation Trust Fund	Student Body	Total
ASSETS			
Cash and investments:			
Cash in County Treasury	$ 9,111	$ -	$ 9,111
Cash on hand and in banks	-	146,789	146,789
Investments	40,000	-	40,000
Accounts Receivable	27	-	27
Total assets	49,138	146,789	195,927
LIABILITIES			
Due to student groups	-	146,789	146,789
NET ASSETS			
Restricted	$ 49,138	$ -	$ 49,138

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

WASHINGTON UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS – FIDUCIARY FUNDS

TRUST FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Foundation Trust Fund
Revenues	
Interest	$ 211
Other local revenues	6,279
Total Revenues	6,490
Expenses	
Contract services	1,600
Change in Net Assets	4,890
Net Assets, July 1, 2010	44,248
Net Assets, June 30, 2011	$ 49,138

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California 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 and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

Reporting Entity

The Governing Board is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Presentation - Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted.

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. 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 extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Basis of Presentation - Fund Financial Statements

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

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures 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 funds are as follows:

A – Governmental Fund Types

1 – General Fund

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District, not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2 – Special Revenues Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Cafeteria, Deferred Maintenance and Special Reserve Funds.

3 – Capital Projects Funds

The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the Capital Facilities and County School Facilities Funds.

4 – Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This classification includes the Bond Interest and Redemption Fund.

B –Fiduciary Fund Types

1 – Trust Fund

The Trust Funds are used to account for assets held by the District as trustee. This classification consists of the Scholarship Trust Fund.

2 – Agency Fund

The Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This classification consists of the Student Body Fund.

Measurement Focus and Basis of Accounting - Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Measurement Focus and Basis of Accounting - Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and postemployment benefits other than pensions, are recorded only when payment is due.

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Governing Board complied with these requirements.

The District employs budgetary control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Governing Board to provide for unanticipated revenues and expenditures, and to provide for revised priorities. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information.

Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset’s lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over 2-50 years depending on the asset type.

Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that the qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

Compensated Absences

All vacation pay plus related payroll taxes are 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

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.

Long-term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide statements. In the governmental fund financial statements, bond premiums, discounts, refunding losses, and issuance costs are recognized during the current period.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for specific future use.

Fund Balance

Beginning with fiscal year 2010/2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified its revolving cash account, prepaid expenses, stores inventory, and sinking fund as being nonspendable as they are required to be maintained intact or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Fund Balance (Continued)

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Governing Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. The District committed the fund balances for the Adult Education Fund, the Deferred Maintenance Fund, and the Special Reserve Fund.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Governing Board or through the Governing Board delegating this responsibility to the District's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

- Unassigned: This classification includes the residual fund balance for the General Fund and includes funds designated for economic uncertainties.

The District would typically use Restricted Fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Investment Valuation and Income Recognition

In accordance with *Education Code* Section 41001, the District maintains substantially all its cash in the Yolo County Treasury. 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 credited to each fund. Any investment losses are proportionately shared by all funds in the pool.

Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources. Secured property taxes are levied as an enforceable lien on property as of January 1. Taxes are payable in two installments, on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Yolo bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances

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

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

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2011 consisted of the following:

	Governmental Activities	Fiduciary Activities
Deposits:		
Cash in revolving fund	$ 25,457	$ -
Cash on hand and in banks	-	146,789
Cash with Fiscal Agent	5,464,613	-
Pooled Funds:		
Cash in County Treasury	35,668,062	9,111
Local Agency Investment Fund	-	40,000
Total Cash and Investments	$ 41,158,132	$ 195,900

Cash in Bank and Revolving Funds

Cash balances held in banks and in revolving funds are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC).

Cash with Fiscal Agent

Cash with Fiscal Agent represents fund amounts held in the District's name by third party custodians. The amount held in the General Fund and the Capital Facilities Fund is generally related to long-term liabilities.

Pooled Funds - Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Yolo County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to the participating funds. Any investment losses are proportionally shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the Treasurer's Pooled Investment Fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2011, District's cash in county treasury is invested in a portfolio consisting of 36% in cash and short-term investments in government investment pools such as the Local Agency Investment Fund (LAIF) and the California Asset Management Program (CAMP). LAIF has a weighted average maturity of 237 days while CAMP has a weighted average maturity of less than 90 days. The rest of the County Treasurer's Pool is invested in an actively managed pool with a weighted average days to maturity of 557 days.

Pooled Funds - Local Agency Investment Fund

Washington Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by custodial risk category. It is currently unrated as to credit risk and has an average life of 237 days.

LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office - 915 Capitol Mall, Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

3. INTERFUND TRANSACTIONS

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual receivable and payable balances at June 30, 2011, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 111,926	$ 30,158
Adult Education Fund	-	43,279
Child Development Fund	1,158	18,607
Cafeteria Fund	29,000	50,040
Total	$ 142,084	$ 142,084

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2010-2011 fiscal year are presented on the following page.

Interfund Transfers (Continued)

Transfer from General Fund to Cafeteria Fund for direct support costs	$ 29,000
Transfer from Adult Education Fund to General Fund for indirect support costs	4,620
Transfer from Child Development Fund to General Fund for indirect support costs	123,442
Transfer from Cafeteria Fund to General Fund for indirect support costs	138,540
Transfer from County Schools Facilities Fund to the Capital Schools Facilities Fund for construction of school facilities	2,090,800
Total transfers	$ 2,386,402

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Non-depreciable assets:				
Land	$ 29,155,759	$ -	$ -	$ 29,155,759
Work in Progress	4,563,217	7,070,997	(4,216,139)	7,418,075
	33,718,976	7,070,997	(4,216,139)	36,573,834
Depreciable assets:				
Buildings	187,048,935	4,358,681	-	191,407,616
Improvement of Sites	37,109,304	-	-	37,109,304
Equipment	8,971,568	80,620	-	9,052,188
	233,129,807	4,439,301	-	237,569,108
Totals, at cost	266,848,783	11,510,298	(4,216,139)	274,142,942
Accumulated depreciation:				
Buildings	(19,010,015)	(3,883,999)	-	(22,894,014)
Improvement of Sites	(2,828,941)	(764,232)	-	(3,593,173)
Equipment	(3,793,116)	(968,789)	-	(4,761,905)
	(25,632,072)	(5,617,020)	-	(31,249,092)
Depreciable assets, net	207,497,735	(1,177,719)	-	206,320,016
Capital Assets, net	$ 241,216,711	$ 5,893,278	$ (4,216,139)	$ 242,893,850

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental activities as follows:

Centralized Data Processing	$ 85,980
Other General Administration	1,680
Other Pupil Services	4,545
Food Services	8,236
Pupil Transportation	194,477
Instruction	513,451
Plant services	4,808,651
Total depreciation expense	$ 5,617,020

5. LONG-TERM LIABILITIES

General Obligation Refunding Bonds

On November 30, 2010, the District issued General Obligation Refunding Bonds in the aggregate principal amount of $9,510,000 for the purpose of refunding $8,740,000 of its 1999 General Obligation Bonds, Series A. The reacquisition price exceeded the net carrying amount of the old debt by $549,425. This amount is being netted against the new debt and amortized over the life of the new debt issued. The refunding decreased the District's total debt service payments by $943,281. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately $722,567.

The Bonds are payable from the proceeds of ad valorem property taxes which the Board of Supervisors of the County of Solano and the Board of Supervisors of the County of Yolo are obligated to levy and collect on all taxable property in the District for the payment of interest, principal, and premium, if any. The bonds consist of serial bonds bearing various fixed interest rates from 2% to 4% and mature in staggered amounts each year starting in August 1, 2011 up through August 1, 2025.

The annual requirements to amortize the refunding bonds as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 260,000	$ 305,800	$ 565,800
2013	405,000	299,150	704,150
2014	435,000	290,750	725,750
2015	465,000	281,750	746,750
2016	495,000	272,150	767,150
2017-2021	3,080,000	1,117,600	4,197,600
2022-2026	4,370,000	461,600	4,831,600
Total	$ 9,510,000	$ 3,028,800	$ 12,538,800

General Obligation Refunding Bonds (Continued)

The outstanding bonds as of June 30, 2011 are as follows:

Total Bond Principal	$ 9,510,000
Add Premiums	98,260
Less Deferred Loss	(527,572)
Bonds Payable	$ 9,080,688

The annual requirements to amortize the remaining 1999 General Obligation Bonds, Series A as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 255,000	$ 6,375	$ 261,375

General Obligation Bonds

On August 1, 2004, the District issued 2004 General Obligation Bonds, Series A totaling $39,999,040. Repayment of the bonds is made from the special parcel tax revenues levied in connection with this bond issue. The bonds consist of current interest bonds and Capital Appreciation Bonds. The current interest bonds bear interest rates from 2.0% to 5.0% and are scheduled to mature through 2030.

The annual requirements to amortize the bonds as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 895,000	$ 1,216,100	$ 2,111,100
2013	1,055,000	1,181,975	2,236,975
2014	1,225,000	1,141,463	2,366,463
2015	1,415,000	1,091,113	2,506,113
2016	1,620,000	1,030,413	2,650,413
2017-2021	12,155,000	3,575,657	15,730,657
2022-2026	11,895,595	9,393,905	21,289,500
2027-2030	5,948,445	16,356,555	22,305,000
Total	$ 36,209,040	$ 34,987,181	$ 71,196,221

On February 23, 2007, the District issued 1999 General Obligation Bonds, Series “B” totaling $7,469,422. Repayment of the Bonds is made from ad valorem property taxes levied and collected by Yolo County. The Current Interest and Capital Appreciation Bonds bear interest rates from 4.0% to 7.51% and are scheduled to mature through 2032.

General Obligation Bonds (Continued)

The annual requirements to amortize the bonds as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 55,000	$ 168,119	$ 223,119
2013	75,000	166,419	241,419
2014	105,000	163,819	268,819
2015	135,000	160,219	295,219
2016	170,000	155,419	325,419
2017-2021	1,450,000	656,695	2,106,695
2022-2026	2,476,492	695,132	3,171,624
2027-2031	2,682,171	4,457,829	7,140,000
2032	280,759	1,414,240	1,694,999
Total	$ 7,429,422	$ 8,037,891	$ 15,467,313

On November 1, 2006, the District issued 2004 General Obligation Bonds, Series "B" totaling $12,000,433. Repayment of the Bonds is made from ad valorem property taxes levied and collected by Yolo County. The Current Interest and Capital Appreciation Bonds bear interest rates from 4.0% to 5.4% and are scheduled to mature through 2032.

The annual requirements to amortize the bonds as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 215,000	$ 187,375	$ 402,375
2013	250,000	178,075	428,075
2014	285,000	167,375	452,375
2015	325,000	155,175	480,175
2016	370,000	141,275	511,275
2017-2021	2,600,000	431,378	3,031,378
2022-2026	2,267,186	1,847,356	4,114,542
2027-2031	3,630,407	6,674,592	10,304,999
2032	1,712,840	4,677,161	6,390,001
Total	$ 11,655,433	$ 14,459,762	$ 26,115,195

Certificates of Participation

In June 2007, the District issued Certificates of Participation (COPs) in the amount of $70,645,000 with an interest rate of 4.75%. The annual requirements to amortize the COPs as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 1,320,000	$ 3,409,225	$ 4,729,225
2013	1,370,000	3,352,063	4,722,063
2014	1,430,000	3,292,563	4,722,563
2015	1,490,000	3,230,513	4,720,513
2016	1,560,000	3,165,700	4,725,700
2017-2021	8,920,000	14,644,596	23,564,596
2022-2026	11,380,000	12,126,690	23,506,690
2027-2031	14,520,000	8,905,190	23,425,190
2032-2036	18,560,000	4,735,500	23,295,500
2036-2038	8,830,000	458,175	9,288,175
Total	$ 69,380,000	$ 57,320,215	$ 126,700,215

Capitalized Lease Obligations

On April 9, 2010, the District received $8,885,432 financing in the form of Qualified School Construction Bonds to provide resources for the implementation of a district-wide energy efficiency projects including the solar project at the River City High School. Under the lease, the principal components of the lease payments to be paid by the District are to be accumulated in a sinking fund and are to be paid in a lump sum on March 15, 2026, the maturity date of the lease. As of June 30, 2011, $555,340 was held by a fiscal agent in the sinking fund. The bonds bear interest at 1.42% payable quarterly.

The District also leases modular computer lab buildings and equipment under agreements which provide for title to pass upon expiration of the lease period.

Future yearly payments on the capitalized lease obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 590,673	$ 126,173	$ 716,846
2013	590,673	126,173	716,846
2014	590,673	126,173	716,846
2015	590,673	126,173	716,846
2016	590,673	126,173	716,846
2017-2021	2,813,687	630,866	3,444,553
2022-2026	2,776,693	599,322	3,376,015
Total	$ 8,543,745	$ 1,861,054	$ 10,404,799

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
General Obligation Bonds	$ 65,478,899	$ 9,080,684	$ 9,930,000	$ 64,629,583	$ 1,680,000
Accreted Interest	5,649,518	1,753,168	-	7,402,686	-
Certificates of Participation	70,645,000	-	1,265,000	69,380,000	1,320,000
Capitalized Lease Obligations	9,199,626	-	100,543	9,099,083	590,673
Compensated Absences	174,790	184,068	174,790	184,068	184,068
Other Postemployment Benefits	293,043	675,275	334,656	633,662	-
	$151,440,876	$ 11,693,195	$ 11,804,989	$151,329,082	$ 3,774,741

A liability for unmatured interest amounting to $2,234,052 as of June 30, 2011 was recognized as part of accounts payable in the government-wide financial statements.

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation and capitalized lease obligations are made from the General Fund and the Capital Facilities Fund. Payments on the compensated absences are made from the Fund for which the related employee worked.

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District provides the cost of medical and dental benefits up to the District cap to its employees. In order to be eligible, classified employees must retire from the District on or after attaining the age of 55 while in service with at least 10 years of service to the District. Certificated employees must retire from the District on or after attaining the age of 52 and have attained step 11 in the Certificated Employees' Salary Schedule. The coverage ends once the retiree reaches age 65.

Funding Policy

The District's Governing Board will not be funding the plan in the current year. The Board will review the funding requirements and policy annually.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	$ 673,603
Interest on net OPEB obligation	14,652
ARC Adjustment	(12,980)
Annual OPEB cost (expense)	675,275
Contributions made	(334,656)
Increase in Net OPEB Obligation	340,619
Beginning Balance	293,043
Ending Balance	$ 633,662

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding fiscal year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 660,623	55.6%	$ 293,043
June 30, 2011	$ 675,275	49.6%	$ 633,662

Funding Status and Funding Progress

As of the valuation date of April 1, 2009, the actuarial accrued liability (AAL) for benefits was $4,866,108, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

In the April 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investments returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 28 years.

7. FUND BALANCE

As of these financial statements, the District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at June 30, 2011:

	General Fund	Capital Facilities	Non-Major Funds	Total
Nonspendable:				
Revolving cash	$ 25,000	$ -	$ 457	$ 25,457
Prepaid Expenses	950	-	-	950
Stores Inventory	29,970	-	47,577	77,547
All others	555,340	-	-	555,340
	611,260	-	48,034	659,294
Restricted for:				
Federal purposes	628,600	-	-	628,600
English learners	27,190	-	-	27,190
Economic Impact Aid: LEP	419,306			419,306
Quality education	174,133	-	-	174,133
Ongoing maintenance	327,066	-	-	327,066
Child development	-	-	92,906	92,906
Debt service	-	-	4,894,231	4,894,231
Other purposes	105,168	-	-	105,168
	1,681,463	-	4,987,137	6,668,600
Committed to:				
Adult education	-	-	47,565	47,565
Deferred maintenance	-	-	1,593,465	1,593,465
Other purposes	-	-	324,411	324,411
	-	-	1,965,441	1,965,441
Assigned to:				
Child development	-	-	15,000	15,000
Food services operations	-	-	503,985	503,985
Capital projects	-	28,907,403	736,609	29,644,012
	-	28,907,403	1,255,594	30,162,997
Unassigned:				
Economic uncertainties	3,533,555	-	-	3,533,555
Other unassigned	7,778,720	-	-	7,778,720
	11,312,275	-	-	11,312,275
Total	$ 13,604,998	$ 28,907,403	$ 8,256,206	$ 50,768,607

8. 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 (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

A. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the Washington Unified School 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 2010-2011 was 10.7% of annual payroll. The contribution requirements of the plan members are established by the state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010, and 2009 were $1,032,329, $1,015,018, and $995,253 respectively, and equal 100% of the required contributions for each year.

B. State Teachers' Retirement System (STRS)

Plan Description

The Washington Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits 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, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active plan members are required to contribute 8% of their salary and the Washington Unified School 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 2010-2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by the state statute. The District's contributions to STRS for the fiscal year ending June 30, 2011, 2010 and 2009 were $2,173,103, $2,124,017, and $2,069,436, respectively, and equal 100% of the required contributions for each year.

9. EXCESS EXPENDITURES

From the time the District reports estimated actuals to the time of unaudited actuals reporting, additional updates to the budget are not performed. Instead, the District provides a variance analysis that details changes to expenditures resulting from the Board of Education's approval of expenditures contained in the unaudited actual financial report. This process creates an excess of expenditures over appropriation when comparing expenditures to budget.

Excess of expenditures over appropriation in individual funds for the year ended June 30, 2011 were as follows:

	Excess Expenditures
General Fund	
Classified Salaries	$ 98,463
Employee Benefits	$ 54,552
Capital Facilities Fund	
Classified Salaries	$ 11,662
Employee Benefits	$ 4,614
Books and Supplies	$ 165
Contract Services	$ 542,096
Cafeteria Fund	
Employee Benefits	$ 2,499

10. JOINT POWERS AGREEMENTS

The Washington Unified School District participates in five joint ventures under joint powers agreements (JPAs) with the North Valley Schools Insurance Group (NVSIG), School Project for Utility Rate Reduction (SPURR), School Excess Liability Fund (SELF), Northern California Regional Liability Excess Fund (ReLief), and The Protected Insurance Program for Schools (PIPS). The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes.

North Valley Schools Insurance Group

The District is a member with other school districts of a Joint Powers Authority, North Valley Schools Insurance Group (NVSIG), for the operation of a common risk management and insurance program for workers' compensation coverage.

School Project for Utility Rate Reduction

The District is also a member of a Joint Powers Authority, School Project for Utility Rate Reduction (SPURR), for the direct purchase of gas, electricity and other utility services. SPURR also provides advisory services relative to utilities.

Schools Excess Liability Fund

The District is also a member with other school districts of a Joint Powers Authority, School Excess Liability Fund (SELF), for the purpose of providing excess insurance coverage.

Northern California Regional Liability Excess Fund

The District is also a member with other school districts of a Joint Powers Authority, Northern California Regional Liability Excess Fund (NorCal ReLIEF), for the purpose of providing excess insurance coverage.

The Protected Insurance Program For Schools

The District is also a member with other school districts of a Joint Powers Authority, Protected Insurance Program for Schools (PIPS), for the purpose of providing an alternative for workers' compensation coverage normally provided utilizing traditional self-insurance.

The most recent condensed financial information available for the year ended June 30 is as follows:

	2011 NVSIG (Audited)	2010 SPURR (Audited)	2010 SELF (Audited)	2011 ReLiEF (Audited)	2010 PIPS (Audited)
Total Assets	$ 2,862,063	$ 18,870,053	$ 61,306,000	$ 60,461,646	$ 117,734,937
Total Liabilities	1,658,220	12,884,337	28,613,000	34,033,515	69,742,511
Net Assets	1,203,843	5,985,716	32,693,000	26,428,131	47,992,426
Total Liabilities and Net Assets	$ 2,862,063	$ 18,870,053	$ 61,306,000	$ 60,461,646	$ 117,734,937
Total Revenues	9,690,808	49,708,513	14,268,000	36,448,186	5,305,101
Total Expenditures	(9,850,913)	(48,435,784)	(19,523,000)	(36,392,464)	(596,363)
Net Increase (Decrease) in Net Assets	$ (160,105)	$ 1,272,729	$ (5,255,000)	$ 55,722	$ 4,708,738

11. COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

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 management's opinion that any required reimbursement subsequently determined will not have a material effect on the District's financial position.

12. SUBSEQUENT EVENT

The District has reviewed all events occurring from June 30, 2011 through December 15, 2011, the date the financial statements were issued. No subsequent events have occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Revenue limit sources:				
State apportionment	$ 34,361,291	$ 28,711,292	$ 28,551,164	$ (160,128)
Local sources	-	7,884,839	8,011,773	126,934
Total revenue limit	34,361,291	36,596,131	36,562,937	(33,194)
Federal revenue	4,695,027	8,420,823	6,572,505	(1,848,318)
Other state revenues	9,215,642	9,753,360	9,640,952	(112,408)
Other local revenues	2,767,796	3,101,186	3,189,218	88,032
Total revenues	51,039,756	57,871,500	55,965,612	(1,905,888)
EXPENDITURES				
Certificated salaries	25,468,430	26,601,024	26,465,039	135,985
Classified salaries	8,355,114	8,546,505	8,644,968	(98,463)
Employee benefits	9,970,199	9,973,054	10,027,606	(54,552)
Books and supplies	1,824,520	3,625,548	2,214,572	1,410,976
Services and other operating expenditures	6,359,672	8,286,120	6,730,560	1,555,560
Capital outlay	10,000	394,726	269,022	125,704
Other outgoing	(92,196)	338,605	259,472	79,133
Total expenditures	51,895,739	57,765,582	54,611,239	3,154,343
Excess (deficiency) of revenues over expenditures	(855,983)	105,918	1,354,373	1,248,455
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	276,048	266,602	(9,446)
Operating transfers out	-	-	(29,000)	(29,000)
Total other financing sources (uses)	-	276,048	237,602	(38,446)
Net change in fund balances	(855,983)	381,966	1,591,975	1,210,009
Fund balances, July 1, 2010	12,013,022	12,013,022	12,013,022	-
Fund balances, June 30, 2011	$ 11,157,039	$ 12,394,988	$ 13,604,997	$ 1,210,009

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
April 01, 2009	$ -	$ 4,866,108	$ 4,866,108	0.0%	$ 38,162,711	12.9%

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

JUNE 30, 2011

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
ASSETS								
Cash and cash equivalents	$ 74,328	$ (231,094)	$ (49,471)	$ 1,596,443	323,447	734,387	$ 4,894,231	$ 7,342,271
Accounts receivable	21,864	375,152	588,512	4,833	964	2,222	-	993,547
Due from other funds	-	1,158	29,000	-	-	-	-	30,158
Stores inventory	-	-	47,577	-	-	-	-	47,577
Total assets	$ 96,192	$ 145,216	$ 615,618	$ 1,601,276	$ 324,411	$ 736,609	$ 4,894,231	$ 8,413,553
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	5,348	$ 18,703	$ 13,559	$ 7,811	$ -	$ -	$ -	$ 45,421
Due to other funds	43,279	18,607	50,040	-	-	-	-	111,926
Total Liabilities	48,627	37,310	63,599	7,811	-	-	-	157,347
Fund balances								
Nonspendable	-	-	48,034	-	-	-	-	48,034
Restricted	-	92,906	-	-	-	-	4,894,231	4,987,137
Committed	47,565	-	-	1,593,465	324,411	-	-	1,965,441
Assigned	-	15,000	503,985	-	-	736,609	-	1,255,594
Total Fund Balance	47,565	107,906	552,019	1,593,465	324,411	736,609	4,894,231	8,256,206
Total liabilities and fund balances	$ 96,192	$ 145,216	$ 615,618	$ 1,601,276	$ 324,411	$ 736,609	$ 4,894,231	$ 8,413,553

See accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

ALL NON-MAJOR FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Totals
REVENUES								
Federal revenue	32,879	$ 1,822	$ 2,819,949	$ -	$ -	$ -	$ -	$ 2,854,650
Other state revenues	181,792	1,781,073	226,743	-	-	2,090,800	62,218	4,342,626
Other local revenues	319	116,784	564,205	11,933	2,364	6,240	3,316,552	4,018,397
Total revenues	214,990	1,899,679	3,610,897	11,933	2,364	2,097,040	3,378,770	11,215,673
EXPENDITURES								
Certificated salaries	106,044	650,123	-	-	-	-	-	756,167
Classified salaries	4,259	558,713	1,202,901	-	-	-	-	1,765,873
Employee benefits	16,158	402,289	413,347	-	-	-	-	831,794
Books and supplies	32,188	16,917	1,444,445	-	-	-	-	1,493,550
Services and other operating expenditures	4,156	40,077	60,238	52,903	-	-	-	157,374
Capital outlay	-	56,240	-	-	-	142,540	-	198,780
Debt service expenditures	-	-	-	-	-	-	3,427,535	3,427,535
Total expenditures	162,805	1,724,359	3,120,931	52,903	-	142,540	3,427,535	8,631,073
Excess(deficiency) of revenues over expenditures	52,185	175,320	489,966	(40,970)	2,364	1,954,500	(48,765)	2,584,600
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	29,000	-	-	-	-	29,000
Operating transfers out	(4,620)	(123,442)	(138,540)	-	-	(2,090,800)	-	(2,357,402)
Other sources	-	-	-	-	-	-	9,616,387	9,616,387
Other uses	-	-	-	-	-	-	(9,289,425)	(9,289,425)
Total other financing sources (uses)	(4,620)	(123,442)	(109,540)	-	-	(2,090,800)	326,962	(2,001,440)
Net change in fund balances	47,565	51,878	380,426	(40,970)	2,364	(136,300)	278,197	583,160
Fund balances, July 1, 2010	-	56,028	171,593	1,634,435	322,047	872,909	4,616,034	7,673,046
Fund balances, June 30, 2011	$ 47,565	$ 107,906	$ 552,019	$ 1,593,465	$ 324,411	$ 736,609	$ 4,894,231	$ 8,256,206

See accompanying notes to supplementary information.

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets:				
Cash on hand and in banks				
Bridgeway Island Elementary School	$ 11,650	$ 11,606.00	$ 15,153	$ 8,103
Bryte Elementary School	3,611	-	565	3,046
Elkhorn Village Elementary School	209	1,632	1,841	-
Riverbank Elementary School	7,467	3,123	7,071	3,519
Southport Elementary School	5,790	-	303	5,487
Stonegate Elementary School	1,852	5,110	5,454	1,508
Westfield Village Elementary School	477	4	481	-
Westmore Oaks Elementary School	24,252	2,341	18,157	8,436
River City High School	124,119	279,059	296,608	106,570
Yolo High School	10,635	367	882	10,120
Total Assets	$ 190,062	$ 303,242	$ 346,515	$ 146,789
Liabilities:				
Due to student groups	190,062	$ 303,242	$ 346,515	$ 146,789
Total Liabilities	$ 190,062	$ 303,242	$ 346,515	$ 146,789

WASHINGTON UNIFIED SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2011

Washington Unified School District was established on July 1, 1957 and comprises an area of approximately 23 square miles located in Yolo County. The District operates nine elementary schools, one high school, a continuation high school, an independent study program and an adult education program. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

Name	Office	Term Expires December
Dave Westin	President	2012
Teresa Blackmer	Vice President	2012
Mary Leland	Member	2012
Adam Menke	Member	2014
Sandra Vargas	Member	2014

ADMINISTRATION

Dayton Gilleland
Superintendent

Scott Lantsberger
Assistant Superintendent
Business Services

Don Beno
Assistant Superintendent
Human Resources

Sue Brothers
Assistant Superintendent
Educational Services

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
Elementary:		
Kindergarten	544	546
Grades 1 through 3	1,647	1,648
Grades 4 through 6	1,626	1,623
Grades 7 through 8	1,013	1,012
Opportunty Schools	13	13
Home & Hospital	2	3
Special Education	89	91
Extended Year	5	5
Total Elementary	4,939	4,941
High School		
Regular Classes	1,765	1,750
Continuation Education	101	99
Opportunity Schools	15	15
Home & Hospital	1	1
Special Education	62	56
Extended Year	2	2
Total Secondary	1,946	1,923
Total all grades	6,885	6,864

See the accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF INTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2010-11 Actual Minutes	Instructional Days	Status
Kindergarten	31,680	36,000	36,000	180	In compliance
Grade 1	47,520	50,400	51,150	180	In compliance
Grade 2	47,520	50,400	51,150	180	In compliance
Grade 3	47,520	50,400	51,150	180	In compliance
Grade 4	52,800	54,000	54,600	180	In compliance
Grade 5	52,800	54,000	54,600	180	In compliance
Grade 6	52,800	54,000	54,750	180	In compliance
Grade 7	52,800	54,000	54,750	180	In compliance
Grade 8	52,800	54,000	54,750	180	In compliance
Grade 9	57,200	64,800	66,000	180	In compliance
Grade 10	57,200	64,800	66,000	180	In compliance
Grade 11	57,200	64,800	66,000	180	In compliance
Grade 12	57,200	64,800	66,000	180	In compliance

See the accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR FISCAL YEAR ENDED JUNE 30, 2011

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
West Sacramento Early College Prep Charter School	Separate Report

See the accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

FOR FISCAL YEAR ENDED JUNE 30, 2011

The audited financial statements of all funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2011.

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal CFDA Number	Grantor and Program Title	Pass-Through Entity Identifying Number	Federal Expenditures
	Passed through California Department of Education		
	U.S. Department of Education		
	Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	13797	$ 2,393,430
84.010	NCLB: Title I, Part A, Program Improvement	14957	164,691
84.010	NCLB: Title I, School Improvement Grant (SIG) for QEIA Schools	15123	91,616
84.389	NCLB: ARRA Title I, Part A, Basic Grants Low-Income and Neglected	15005	396,376
84.389	NCLB: ARRA Title I, School Improvement Grant (SIG) for QEIA Schools	15004	91,920
	Subtotal Title I Cluster		3,138,033
	Special Education Cluster		
84.027	Special Education: IDEA Basic Local Assistance	13379	1,171,569
84.027	Special Education: Part B Private School ISPs	10115	6,152
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B	13682	69,047
84.173	Special Education: IDEA Preschool Grants, Part B	13430	26,711
84.173A	Special Education: IDEA Preschool Staff Development, Part B	13431	588
84.391	Special Education: ARRA IDEA Part B, Sec 611 Basic Local Assistance	15003	317,629
84.391	Special Education: ARRA IDEA Part B, Sec 611 Preschool Local Entitlement	15002	11,134
84.392	Special Education: ARRA IDEA Part B, Sec 619, Preschool Grants	15000	24,356
	Subtotal Special Education Cluster		1,627,186
84.002A	Adult Basic Education & ESL	14508	26,868
84.002A	Adult Education & English Literacy and Civics	14109	6,011
84.048	Vocational Education, Carl Perkins Act	14894	59,439
84.060	Indian Education	10011	45,029
84.184B	Safe & Drug-Free Schools : Mentoring Program	*	49,325
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology	14334	10,828
84.323	Special Education: State Improvement Grant	14577	9,921
84.357	NCLB: Title I, Part B - Reading First	14328	107,386
84.377	NCLB: Title I, School Improvement Grant (SIG) for QEIA Schools	14971/15124	114,976
84.367	NCLB: Title II, Part A, Teacher Quality	14341	479,977
84.386	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT)	15019	39,938
84.386	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	15126	30,822
84.365	NCLB : Title III, Limited English Proficient (LEP) Student Program	14346	171,952
84.394	ARRA: State Fiscal Stabilization Fund	25008	560,642
84.410	Education Jobs Fund	25152	71,823
	Total U.S. Department of Education		6,550,156

* *Passthrough number not available.*

See the accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal CFDA Number	Grantor and Program Title	Pass-Through Entity Identifying Number	Federal Expenditures
	U.S. Department of Agriculture		
10.555	Child Nutrition: National School Lunch Program	13396	2,746,873
10.582	Child Nutrition: Fresh Fruit and Vegetable Program	14968	73,075
	Total U.S. Department of Agriculture		2,819,948
	U.S. Department of Health and Human Services		
93.575	Child Development: Quality Improvement Activities	14869	1,320
93.713	Child Development: ARRA Quality Improvement Activities	15011	502
93.778	Medi-Cal Billing Option (DHS)	10013	100,257
	Total U.S. Department of Health and Human Services		102,079
	Total Federal Programs		$ 9,472,183

See the accompanying notes to supplementary information.

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Adopted Budget 2012	Actuals 2011	Actuals 2010	Actuals 2009
General Fund				
Revenues and Other Financial Sources	$ 52,939,750	$ 56,232,214	$ 55,976,700	$ 57,367,128
Expenditures	54,501,187	54,611,239	55,317,260	55,463,819
Other Uses and Transfers Out	-	29,000	11,792	325,311
Total Outgo	54,501,187	54,640,239	55,329,052	55,789,130
Change in Fund Balance	(1,561,437)	1,591,975	647,648	1,577,998
Ending Fund Balance	$ 12,043,560	$ 13,604,997	$ 12,013,022	$ 11,365,374
Available Reserves *	$ 6,641,558	$ 11,312,275	$ 9,584,521	$ 4,526,419
Designated for Economic Uncertainties	$ 3,678,830	$ 3,533,555	$ 4,153,555	$ 4,153,555
Undesignated Fund Balance	$ 2,962,728	$ 7,778,720	$ 5,430,966	$ 372,864
Available Reserves as a Percentage of Total Outgo	12.2%	20.7%	17.3%	8.1%
All Funds				
Total Long-Term Debt	$ 149,611,168	$ 151,329,082	$ 151,440,876	$ 142,067,028
Average Daily Attendance at P-2	6,885	6,885	6,817	6,711

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

The General Fund balance has increased by $3,817,621 over the past three years. The District projects a decrease of $1,561,437 for the fiscal year ending June 30, 2012. For a district this size, the state requires available reserves of at least three percent of total General Fund Expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred operating surpluses in each of the past three years, and anticipates an operating deficit during the 2011-12 fiscal year.

Total long-term liabilities have increased by $9,262,054 over the past two years.

Average daily attendance excluding classes for adults, has increased by 188 over the past two years. There is no projected increase in ADA for the 2011-12 fiscal year.

1. PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

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

Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides information necessary to reconcile the Unaudited Actual Fund Financial Reports to the audited financial statements.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of Washington Unified School District and is presented under the modified accrual basis of accounting. OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Circular A-133 and state requirements. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

Noncash assistance in the form of donated commodities was received from the California Department of Education as a pass-through grant from the U.S. Department of Agriculture. The total fair market value of commodities received during the 2010-2011 fiscal year was $178,666 and is not included in the schedule.

Schedule of Expenditures of Federal Awards

Description	CFDA Number	Amount
Total Federal Revenues - Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 9,427,155
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	246,866
Less: Medi-Cal Billing Funds not spent but recognized as revenues in the current year	93.778	(201,838)
Total Schedule of Expenditures of Federal Awards		$ 9,472,183

Schedule of Financial Trends And Analysis

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosures in the financial statements of districts which adopt Early Retirement Incentive Program pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2011, the District did not offer an Early Retirement Incentive Program.

OTHER INDEPENDENT AUDITOR’S REPORTS

James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Governing Board
Washington Unified School District
West Sacramento, California

We have audited the compliance of Washington Unified School District (the "District") with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of District's management. Our responsibility is to express an opinion on the 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 State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about the 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 District's compliance with those requirements.

Description	Audit Guide Procedures	Procedures Performed
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Instructional Materials		
General Requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirement - Receipt of Funds	1	Yes

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Description	Audit Guide Procedures	Procedures Performed
Class Size Reduction Program		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program		
General requirements	4	Yes
After School	4	Yes
Before School	5	No, see below
Contemporaneous Records of Attendance, for Charter Schools	1	No, see below
Mode of Instruction, for Charter Schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	No, see below
Annual Instructional Minutes - Classroom Based, for Charter Schools	3	No, see below

We did not perform any procedures related to Instructional Time for County Office of Education because the District is not a County Office of Education.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program.

The 2010-2011 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2011. Accordingly, we could not perform the portions of audit steps (a), (b), and (c) of Section 19837.2 of the 2009-2010 Audit Guide relating to the comparison of tested data from the 2009-2010 fiscal year to the 2010-2011 School Accountability Report Cards.

We did not perform any procedures related to Class Size Reduction Program – Option Two Classes and District with only one school serving K-3 because the District did not offer Option Two classes and the District does not have only one school serving grades K through 3.

We did not perform any procedures related to After School Education and Safety Program – Before School because the District does not operate a before school program.

We did not perform any procedures related to Contemporaneous Records of Attendance, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, and Annual Instructional Minutes-Classroom-Based for Charter Schools because the District did not have any charter schools.

In our opinion, except for the noncompliance described in the Schedule of Audit Findings and Questioned Costs Section of this report, Washington Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the District had not complied with the state laws and regulations.

The District's responses to the findings identified in our audit are described in the Schedule of Audit Findings and Questioned Costs Section of this report. We did not audit the District's response and, accordingly, we express no opinion on it.

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

James Marta & Company

James Marta & Company
Certified Public Accountants

December 15, 2011

James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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*

Board of Education
Washington Unified School District
West Sacramento, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Unified School District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2011. 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 the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 the financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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This report is intended solely for the information and use of management, the Board of Education, management, 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.

James Marta + Company

James Marta & Company
Certified Public Accountants

December 15, 2011

James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

REPORTING ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Governing Board
Washington Unified School District
West Sacramento, California

Compliance

We have audited Washington Unified School District's (the "District") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The 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 District's management. Our responsibility is to express an opinion on the 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. 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance 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, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 District's internal control over compliance.

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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. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

This report is intended solely for the information and use of the Board of Education, management, the California Department of Education, the California State Controller's Office, 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.

James Marta & Company

James Marta & Company
Certified Public Accountants

December 15, 2011

FINDINGS AND RECOMMENDATIONS

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes	X None reported
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified not considered to be material weaknesses?	___ Yes	X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	___ Yes	X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010, 84.389	Title I Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster (IDEA)
84.394	State Fiscal Stabilization Fund
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee?	X Yes	___ No

State Awards

Internal control over state programs:

Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified not considered to be material weaknesses?	___ Yes	X None reported

Type of auditor's report issued on compliance for state programs**:** Qualified

Section II – Financial Statement Findings

2011-01 Internal Control – Associated Student Body (30000)

Criteria

Education Code Section 48930 and (California Department of Education's " Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At River City High: During our inquiry of the student store procedures, we noted that there was no inventory count being performed during the year.

At Yolo High School: During our audit of the student body, we noted that there were five pre-signed blank checks.

Cause

The appropriate internal control procedures were not followed.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Fiscal Impact

Not determinable.

Recommendation

For River City High: We recommend that although the student store has been inactive, a physical inventory be performed.

For Yolo High School: We recommend that the pre-signed checks be voided immediately and that the pre-signing of all checks should be prohibited.

District's Perspective

For River City High: At the time of the audit visit, the student store was inactive, inventory was low. Plans at that time were to inactivate the student store until such a time when the operation of it could be better managed by a teacher/advisor. At the start of the 2011-12 school year, the student store has been reopened and a teacher was appointed to mange and oversee the store activities.

For Yolo High School: Associated Student Body accounting practices continue to be a challenge. With periodic turnover in site administration, site ASB advisors, and student leadership, the monitoring and oversight of ASB accounting controls by District Office personnel is an area of going concern.

2011-01 Internal Control – Associated Student Body (30000) (Continued)

Corrective Action Plan

For River City High: Inventory control procedures have been put in place. As items are purchased, inventory is added and when daily sales receipts are totaled and reconciled, inventory id deducted. An upcoming day and time is being planned to close the store for a time and take physical inventory count. At that time, inventory counts will be reconciled against tallied counts. Discrepancies will be researched and accounting adjustments will be made.

For Yolo High School: The finding was discussed in detail with the site ASB Bookkeeper and the importance of not presigning checks was emphasized. All remaining presigned checks have been voided and the staff has been instructed that presigning of checks in the future is expressly prohibited.

Section III – Federal Award Findings

No matters were reported.

Section IV – State Award Findings and Questioned Costs

2011-02 Regular and Special Day Classes (10000)

Criteria

The reported Attendance Reports submitted to the State should agree with the attendance summaries maintained by the District.

Condition

In the P-2 and Annual Attendance Reports, the average daily attendance reported was overstated by 0.16 ADA at P-2 and understated by 12.04 ADA at annual.

Effect

The effect is an overstatement of P-2 ADA and an understatement of annual ADA.

Cause

The reported ADA was calculated using a simple monthly average rather than a weighted average.

Fiscal Impact

The fiscal impact of the P-2 overstatement is to overstate revenue limit funding by $1,940. We are unable to determine the fiscal impact of the understatement of the annual ADA.

Recommendation

We recommend that the District's management modify the worksheet it uses to calculate the ADA and ensure that the weighted average is used. In addition, the annual attendance report should be reviewed and resubmitted.

Corrective Action Plan

The District has revised the spreadsheets used for calculating average daily attendance from a simple monthly average calculation to a weighted year-to-date average calculation. Additionally, the District will verify the updated annual ADA numbers and revise the Annual Report of School Attendance and the Schedule of Average Daily Attendance in this report accordingly.

Section IV – State Award Findings and Questioned Costs

2011-03 Continuation High School Attendance (10000)

Criteria

The attendance registers in manual or electronic form require monthly certification by a credentialed staff responsible for oversight based on guidelines for preparation of attendance registers and direction of the California Department of Education.

Condition

The teacher's attendance registers were not printed, verified, and signed by the teachers.

Effect

We are unable to determine the effect.

Cause

The appropriate attendance reporting procedures were not followed.

Fiscal Impact

We are unable to determine the fiscal impact.

Recommendation

We recommend that the District direct its teachers to sign a hard copy of the teacher's register. Each school's principal should ensure that these are signed and maintained on site.

Corrective Action Plan

The District uses Eagle Aeries software to track student attendance. In addition, teachers in the District use Aeries Browser Interface (ABI). ABI interfaces with Eagle Aeries software, and information input into ABI automatically maps to Eagle Aeries software. Teachers use ABI to take daily classroom attendance online. The purpose of ABI is twofold: It is used by teachers as a single point of entry, and it reduces excess printed paper. Each teacher in the District has their own unique user log on ID and user password. This information is kept confidential by teachers, and because of this, logon ID's and password ID's are considered electronic signatures. District Administration accepts online ABI classroom attendance reporting in place of printed, signed weekly attendance reports.

The District will submit to CDE for approval of electronic attendance submission, and until that time, will direct Yolo teachers to sign a hard copy of the teacher's register.

WASHINGTON UNIFIED SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Recommendation	Current Status	Explanation If Not Implemented
Financial Statement Finding: 2010-1 Internal Controls At River City High: There was no evidence that student store inventories are reviewed periodically. Its records of sales are not reconciled to the cash received. Profit and loss statements are not prepared for the student store. At Yolo High School: There is no evidence revenue-producing activities and expenditures are approved by the Principal. At Bridgeway Elementary School: There is no evidence revenue-producing activities are approved by the Principal. At Elkhorn Village Elementary School: Receipts are not issued for funds turned in to the ASB. Cash receipts are not supported by detailed schedules. Deposits are not performed on a timely basis nor does the site maintain supporting receipts for the deposited amount. Cash disbursements are not approved by appropriate personnel nor are they supported by vendor's invoice. There is no evidence revenue-producing activities are approved by the Principal. Monies were used for expenses which does not enhance the welfare of the general student body. There is no formal documentation of controls to prevent deficit spending.	Partially implemented.	See current year finding 2011-01.

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the WASHINGTON UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of $21,150,000 Washington Unified School District (Yolo County, California) 2012 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on August 23, 2012 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean Government Financial Strategies inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 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 2. 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).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2011-12 Fiscal Year, which is due not later than March 31, 2013, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) The District's approved budget for the then current fiscal year;

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

(iii) If the Yolo County no longer includes the levy for payment of the Bonds in its Teeter Plan, property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) 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.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above 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 under the Resolution.

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

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the

Dissemination Agent is not the District, 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. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following 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 the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should 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 of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner 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. 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 no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, 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 and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 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 the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

WASHINGTON UNIFIED SCHOOL DISTRICT

By ____
Authorized Officer

ACKNOWLEDGED:

GOVERNMENT FINANCIAL STRATEGIES INC., as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Washington Unified School District
Name of Issue:	Washington Unified School District (Yolo County, California) 2012 General Obligation Refunding Bonds
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Washington Unified School District (the "Obligor") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated [Closing Date], furnished by the District in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: __________________

GOVERNMENT FINANCIAL STRATEGIES INC., as Dissemination Agent

By ____
Title ____

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education of the
Washington Unified School District
930 Westacre Road
West Sacramento, California 95691

OPINION: $21,150,000 Washington Unified School District (Yolo County, California) 2012 General Obligation Refunding Bonds

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Members of the Board of Education:

We have acted as bond counsel to the Washington Unified School District (the "District") in connection with the issuance by the District of $21,150,000 principal amount of Washington Unified School District (Yolo County, California) 2012 General Obligation Refunding Bonds, dated as of October 2, 2012 (the "Bonds"), pursuant to Title 5, Division 2, Chapter 3, Article 9 of the California Government Code, commencing with section 53550, and a resolution of the Board of Education of the District (the "Board"), adopted on August 23, 2012 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

2. The Resolution has been duly adopted by the Board and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by, are valid and binding general obligations of, the District. The Board of Supervisors of Yolo County is required to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

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

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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APPENDIX D

COUNTY OF YOLO 2012 INVESTMENT POLICY

COUNTY OF YOLO

INVESTMENT POLICY
2012

Proposed by:

Auditor-Controller Treasurer-Tax Collector

Reviewed by:

County Treasury Oversight Committee
November 2, 2011

Approved by:

Board of Supervisors
December 6, 2011

I. Introduction

This document is known as the annual investment policy and represents the policies of the board of supervisors of the County of Yolo related to the investment of funds under the control of the county treasury.

This policy is prepared annually by the county treasurer in accordance with the California Government Code and prudent asset management principles. Pursuant to Government Code sections 27133 and 53646 this policy has been reviewed by the County Treasury Oversight Committee and approved by the Board of Supervisors at a public meeting.

II. Scope

This policy applies to the cash management and investment activities performed by County personnel and officials for any local agency, public agency, public entity or public official that has funds on deposit in the county treasury. The terms "County" and "county treasury pool" are used interchangeably and include all such funds so invested. The investment of bond proceeds will be governed by the provisions of relevant bond documents.

III. Standard of Care

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. Public Trust

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the County's ability to govern effectively.

V. Objectives

The primary objectives, in descending priority order, of the investment activities of the County shall be:

Safety. Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.

Liquidity. The investment portfolio shall be maintained in such a manner as to provide sufficient liquidity to meet the operating requirements of any of the participants.

Return on Investment. The investment portfolio of the County shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

VI. Delegation of Authority

Subject to Section 53607 the authority of the Board of Supervisors to invest or to reinvest funds of the pooled investments, or to sell or exchange securities so purchased, may be delegated for a one-year period by ordinance in accordance with Government Code Sections 27000.1 and 27000.3.

Since 1999 the Board of Supervisors has designated the Auditor-Controller and Treasurer-Tax Collector as its agent authorized to make investment decisions in consultation with the Finance and Investment Committee of the Board after considering the strategy proposed by the investment advisor.

VII. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

Individuals performing the investment function and members of the County Treasury Oversight Committee (CTOC) shall maintain the highest standards of conduct. These individuals should follow the Code of Ethics for Procurement approved by the Board of Supervisors and comply with all relevant provisions of the Political Reform Act, especially the requirements of Chapter 7 – Conflict of Interest and Chapter 9.5 – Ethics. The key requirements are listed below:

a. Officers, employees and members of the CTOC involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could affect their ability to make impartial decisions.

b. Officers, employees and members of the CTOC shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

c. Officers, employees and members of the CTOC shall not accept gifts or gratuities with a value exceeding $420 in any one year from any bank, broker, dealer, or any other person, firm, or organization who conducts business with the County Treasurer.

d. No members of the Board of Supervisors or any person with investment decision-making authority in the County Administrator's office or the Auditor-Controller and Treasurer-Tax Collector's office may serve on the board of directors or any committee appointed by the board or the credit committee or supervisory committee of a state or federal credit union which is a depository for County funds.

VIII. Internal Controls

Internal control procedures shall be established and maintained by the Treasurer that provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, misuse, or mismanagement. The internal controls shall be reviewed as part of the regular annual independent audit. The controls and procedures shall be designed to prevent employee error, misrepresentations by third parties, and imprudent or illegal actions by employees or officers of the County.

IX. Cash Management

In determining the amount that can be invested County personnel shall take into account the liquidity needs of the County and the agencies in the Treasury pool, and shall take reasonable steps to ensure that cash flow requirements of the County and pool participants are met for the next six months, barring unforeseen actions from the State Controller or other funding sources, such as deferrals of cash payments.

County personnel shall maintain separate accounting for cash funds and monitor aggregate cash balances of the County and each agency in the Treasury pool, and shall notify the County Administrator or agency management of unhealthy trends in aggregate cash balances and near-deficit aggregate balances.

Agencies that are so notified are expected to take immediate action to cure any deficit and improve cash balances. Continuing deficits shall be reported to the Board of Supervisors for further action.

The Auditor-Controller and Treasurer-Tax Collector shall provide quarterly reports on total cash flows and balances of the Treasury Pool to the Treasury Oversight Committee.

X. Authorized Financial Dealers and Qualified Institutions

The County may secure the services of an Investment Advisor. Precautionary contractual language with such an adviser shall include: delivery versus payment methods, third-party custody arrangements, prohibitions against self-dealings, independent audits, and other appropriate internal control measures as deemed necessary by the Auditor Controller and Treasurer-Tax Collector.

The County or the County's Investment Advisor shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment transaction purposes, and it shall be the policy of the County to purchase securities only from those authorized institutions or firms. Authorized brokers/dealers must either (i) be classified as Reporting Dealers affiliated with the New York Federal Reserve Bank as Primary Dealers or (ii) be registered to conduct business in the State of California and be licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code.

No broker/dealer shall be selected which has within any consecutive 48-month period made a political contribution to the local auditor-controller, treasurer-tax collector or to any member of the Board of Supervisors or to any candidate for these offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

XI. Permitted Investment Instruments

1. **United States Treasury Obligations**. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

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

3. **California Municipal Obligations**. Obligations of the State of California, this local agency or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state, this local agency or any local agency or by a department, board, agency or authority of the state or any local agency; provided that the obligations are approved by a Board of Supervisors resolution, unless rated in one of the two highest categories by Moody's or Standard and Poor's. Any investment in obligations of this local agency shall be in a ratio proportionate to the County's share of the pooled investments.

4. **Repurchase Agreements**. Agreements to be used solely as short-term investments not to exceed 90 days.

   The County may enter into Repurchase Agreements with primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York.

   The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in X.1 and X.2, will be acceptable collateral.

   All securities underlying Repurchase Agreements must be delivered to the County's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each Repurchase Agreement must equal or exceed, 102 percent of the total dollar value of the money invested by the County for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed at least weekly.

   Market value must be calculated each time there is a substitution of collateral.

   The County or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

   The County will have properly executed a PSA agreement with each counter party with which it enters into Repurchase Agreements.

5. **Banker's Acceptances**. Issued by domestic or foreign banks, the short-term paper of

which is rated in the highest category by Moody's Investors Services or by Standard & Poor's Corporation.

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the County's investment portfolio. No more than 10 percent of the County's investment portfolio may be invested in the Banker's Acceptances of any one commercial bank.

6. **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 shown in either paragraph (1) or paragraph (2):

    1. The entity meets the following criteria:

        A. Is organized and operating in the United States as a general corporation.

        B. Has total assets in excess of five hundred million dollars ($500,000,000).

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

    2. The entity meets the following criteria:

        A. Is organized within the United States as a special purpose corporation, trust, or limited liability company.

        B. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

        C. Has commercial paper that is rated “A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

    Purchases of eligible commercial paper may not exceed 270 days maturity.

    No more than 40 percent of the County’s investment portfolio may be invested in eligible commercial paper and no more than 10 percent of the portfolio may be invested in any one issuer’s commercial paper.

7. **Medium-Term Corporate Notes**. Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "A" or its equivalent by a nationally recognized rating service if the term to maturity from the date of purchase is 3 years or less. If the term to maturity at the time of purchase is between 3 and 5 years then the rating shall be “AA” or better by a nationally recognized rating service.

    Purchase of medium-term corporate notes may not exceed 30 percent of the County's investment portfolio. No more than 10 percent of the County's investment portfolio may be invested in any one issuer.

8. **Non-Negotiable Certificates of Deposit**. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code Section 53651, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o). The County, at its discretion and by majority vote of the Board of Supervisors, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance.

   Alternatively, the County may invest in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit as provided for in Government Code section 53635.8.

9. **Negotiable Certificates of Deposit**. Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "A" or better by Moody's or Standard & Poor's.

   Purchases of all negotiable certificates of deposit may not exceed 30 percent of the County's investment portfolio.

10. **Local Government Investment Pools**. (Either state-administered or through joint powers statutes and other intergovernmental agreement legislation.)

    Investments may be maximized to the level allowed by the State and should be reviewed periodically. Investment objectives, limitations, and controls of each pool must be consistent with this policy.

11. **Money Market Funds**. Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the largest nationally recognized statistical rating organizations or (2) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of $500,000,000.

    Money Market Funds shall not exceed 20 percent of the investment portfolio of the County as recorded at purchase price on date of purchase.

12. **Mortgage Pass-Through Securities.** Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Eligible securities must be rated, by a nationally recognized rating service, as "AAA" or higher, and the issuer of the security must have an "A" or higher rating for its debt as

provided by a nationally recognized rating service. No more than 20 percent of the County's investment portfolio may be invested in this type of security.

13. **Reverse Repurchase Agreements**. Reverse repurchase agreements shall be used primarily as a cash flow management tool and subject to all the following conditions:

    1. The security to be sold using a reverse repurchase agreement has been owned and fully paid for by the County for a minimum of 30 days prior to sale.

    2. The total of all reverse repurchase agreements on investments owned by the County does not exceed 20 percent of the base value of the portfolio. The base value of the County's portfolio for this section is defined as that dollar amount obtained by totaling all cash balances placed in the portfolio by all participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

    3. The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

    4. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

    5. Investments in reverse repurchase agreements or similar investments in which the County sells securities prior to purchase with a simultaneous agreement to repurchase the security shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency. A significant banking relationship is defined by any of the following activities of a bank:

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

        b. Financing of the County's activities.

        c. Acceptance of the County's securities or funds as deposits.

Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. Should a security owned by the County be downgraded below "A" the Investment Advisor shall immediately notify the County Auditor-Controller who will report to the Board of Supervisors, at their next regularly scheduled meeting, the circumstances of the downgrade and any action taken or recommended.

XII. Ineligible Investments

The County shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. Any other security not specifically permitted by Section X is prohibited.

XIII. Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the County to meet all projected obligations.

Unless otherwise specified in this policy or authorized by the Board of Supervisors, no investment shall be made in any security, other than a security underlying a repurchase agreement as authorized by this policy, that at the time of the investment has a term remaining to maturity in excess of five years.

The Board of Supervisors has specifically approved investment maturities beyond five years for two long-term portfolios: Yolo County Landfill Closure Trust Fund and the Yolo County Cache Creek Maintenance and Remediation Fund.

XIV. Diversification & Percentage Limitations

The County shall limit the County's investments in any one non-governmental issuer to no more than 10 percent of the County's total investments at the time of purchase.

All percentage limitations apply at the time of the investment (purchase date).

XV. Reporting Requirements

The County Auditor-Controller and Treasurer-Tax Collector shall render a quarterly investment report to the Board of Supervisors that includes, at a minimum, the following information for each investment:

- Type of investment instrument (e.g., U.S. Treasury note, Federal Agency note)
- Issuer name (e.g., General Electric Capital Corp.)
- Credit quality
- Purchase date
- Maturity date
- Par value
- Purchase price
- Current market value and the source of the valuation
- Current amortized or book value
- Accrued interest
- Original yield to maturity
- Overall portfolio yield based on cost
- New investment transactions

The quarterly report shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the County's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement explaining the ability of the County to meet its cash flows requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

This quarterly report shall be available within 30 days following the end of the quarter, and submitted to the Board of Supervisors at the earliest reasonable opportunity, with copies to all pool participants.

XVI. Annual Review of Investment Policy

The County Auditor-Controller and Treasurer-Tax Collector shall annually prepare an investment policy that will be reviewed by the County Treasury Oversight Committee and submitted to the Board of Supervisors for approval in a public meeting. Any change to the investment policy shall be reviewed and approved by the Board in a public meeting.

XVII. Safekeeping and Custody

All securities, whether negotiable, bearer, registered or non-registered shall be delivered either by book entry or physical delivery to the County's third party custodian.

Monthly safekeeping statements are received from custodians where securities are held. Authorized personnel, other than the person handling daily investments, shall review the statements to confirm that investment transactions have settled and been delivered to the County's third party custodian.

XVIII. Apportionment of Earnings and Costs

The manner of calculating and apportioning the cost of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds is as follows:

Investment earnings shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. Earnings are computed on an accrual basis and the effective date that earnings are deposited into each fund is the first day of the following quarter (January 1, April 1, July 1, and October 1).

Direct and Administrative (including indirect) costs associated with investing, depositing, banking, auditing, reporting, safekeeping, or otherwise handling or managing funds shall be netted against any moneys received pursuant to state mandated reimbursements and deducted from the gross investment earnings in the quarter received.

XIX. Criteria for Considering Requests to Withdraw Funds

Withdrawal of funds from county treasurer pool may occur pursuant to Government Code Section 27136 and approval of the Board of Supervisors.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investment in the County Pool will be based on the following criteria:

- Size of withdrawal
- Size of remaining balances of:
  - Pool
  - Agency
- Current market conditions
- Duration of withdrawal
- Effect on predicted cash flows
- A determination if there will be sufficient balances remaining to cover costs
- Proof that adequate information has been supplied in order to make a proper finding that other pool participants will not be adversely affected.

The Auditor-Controller and Treasurer-Tax Collector reserves the right to mark a fund balance to market value prior to allowing a withdrawal if it is deemed necessary to be equitable to the remaining funds.

XX. Terms and Conditions for Non-Statutory Combined Pool Participants

All entities qualifying under California Government Code Section 27133 (g) may deposit funds for investment purposes providing all of the following has been accomplished: (1) the agency's administrative body has requested the privilege, (2) has agreed to terms and conditions of an investment agreement as prescribed by the County's Board of Supervisors, (3) has by resolution identified the authorized officer acting on behalf of the agency; and (4) the County Auditor-Controller has prescribed the appropriate accounting procedures.

XXI. Audits

Annual Compliance Audit - Pursuant to Government Code section 27134 the County Treasury Oversight Committee shall cause an annual audit to be conducted to determine the County's compliance with article 6 of the Government Code. The audit may include issues relating to the structure of the investment portfolio and risk. The costs of complying with this article shall be County charges and may be included with those charges enumerated under Section 27013.

Quarterly Review and Annual Financial Audit – The Auditor-Controller shall cause quarterly reviews to be made of the Treasurer's records relative to the type and amount of assets in the treasury, pursuant to Government Code sections 26920 - 23. The Auditor-Controller shall also cause an annual financial audit to be made of the Treasurer's records as of June 30. In addition to an opinion on the statement of assets held in the treasury this audit shall include a review of the adequacy of internal controls.

The annual compliance audit and the annual financial audit may be combined.

The Auditor-Controller and Treasurer-Tax Collector shall report audits that contain significant audit findings, as defined by Statement on Auditing Standards No. 114, to the Finance and Investment Committee of the Board of Supervisors immediately and to the full Board at the earliest reasonable opportunity. Copies of the audit reports shall be provided to the County Treasury Oversight Committee.

All audit recommendations shall be addressed timely and in a manner acceptable to the Board of Supervisors' Audit Committee.

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