

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

\$48,515,000

**NAPA VALLEY UNIFIED SCHOOL DISTRICT
(Napa County, California)
2013 General Obligation Refunding Bonds**

Dated: Date of Delivery

Due: August 1, as shown on inside cover

Authority and Purpose. The Napa Valley Unified School District (Napa County, California) 2013 General Obligation Refunding Bonds (the "Refunding Bonds") are being issued by the Napa Valley Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on April 18, 2013 (the "Bond Resolution"). The Refunding Bonds are being issued to advance refund a portion of the District's outstanding (i) General Obligation Bonds, Election of 2002, Series 2005, and (ii) General Obligation Bonds, Election of 2002, Series 2006. See "THE REFUNDING BONDS – Authority for Issuance" and "THE REFINANCING PLAN."

Security for the Refunding Bonds. The Refunding Bonds are general obligations of the District. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Refunding Bonds. There are currently other series of general obligation bonds in the District, currently outstanding in the aggregate principal amount of \$270,274,999.95 that are similarly secured by tax levies. All general obligation bonds are issued on a parity basis with one another. See "SECURITY FOR THE REFUNDING BONDS."

Payments. Interest on the Refunding Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2013, by check mailed to the person in whose name the Refunding Bond is registered. Payments of principal and interest on the Refunding Bonds will be paid by U.S. Bank National Association, San Francisco, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS – Description of the Refunding Bonds."

Redemption. The Refunding Bonds are subject to redemption prior to maturity as described herein. See "THE REFUNDING BONDS – Redemption."

Book-Entry Only. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Refunding Bonds. See "THE REFUNDING BONDS – Description of the Refunding Bonds – Book-Entry Form" and "APPENDIX F – Book-Entry Only System."



MATURITY SCHEDULE

(see inside front cover)

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

The Refunding Bonds were sold at public sale held on Tuesday, April 30, 2013, at 9:15 a.m., Pacific Time, pursuant to the Official Notice of Sale. The Refunding Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. It is anticipated that the Refunding Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about May 29, 2013.

MATURITY SCHEDULE

NAPA VALLEY UNIFIED SCHOOL DISTRICT
(Napa County, California)
2013 General Obligation Refunding Bonds

BASE CUSIP^(†): 630361

\$48,515,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP^(†)
2013	\$ 790,000	3.000%	100.481	0.200%	5S8
2014	25,000	4.000	104.386	0.250	5T6
2015	25,000	4.000	107.732	0.420	5U3
2016	135,000	4.000	110.667	0.600	5V1
2017	1,545,000	4.000	113.545	0.700	5W9
2018	1,645,000	5.000	120.673	0.900	5X7
2019	1,785,000	4.000	117.258	1.100	5Y5
2020	1,900,000	4.000	118.205	1.330	5Z2
2021	2,010,000	5.000	126.121	1.580	6A6
2022	2,165,000	5.000	127.330	1.760	6B4
2023	2,305,000	5.000	128.335	1.920	6C2
2024	2,830,000	5.000	127.064 ^C	2.040	6D0
2025	3,030,000	3.250	106.697 ^C	2.500	6E8
2026	4,900,000	4.000	113.108 ^C	2.530	6F5
2027	5,195,000	4.000	112.060 ^C	2.640	6G3
2028	7,845,000	4.000	111.210 ^C	2.730	6H1
2029	8,275,000	3.000	98.607	3.110	6J7
2030	2,110,000	3.000	97.759	3.170	6K4

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

C: Priced to par call on August 1, 2023.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Refunding Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

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

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Refunding Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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

**NAPA VALLEY UNIFIED SCHOOL DISTRICT
(NAPA COUNTY, CALIFORNIA)**

BOARD OF EDUCATION

Frances Ortiz-Chavez, President, Area 5
Thomas Kensok, Vice President, Area 3
Jacqueline Chilton, Clerk, Area 1
Rob Felder, Board Member, Area 6
Carlos Hagedorn, Board Member, Area 2
José Hurtado, Board Member, Area 7
Joe Schunk, Board Member, Area 4

DISTRICT ADMINISTRATION

Patrick J. Sweeney, *Superintendent*
J. Wade Roach, *Assistant Superintendent, Business Services*

FINANCIAL ADVISOR

Keygent LLC
San Francisco, California

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

PAYING AGENT and ESCROW BANK

U.S. Bank National Association
San Francisco, California

VERIFICATION AGENT

Causey Demgen & Moore P. C.
Denver, Colorado

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OFFICIAL STATEMENT

\$48,515,000
NAPA VALLEY UNIFIED SCHOOL DISTRICT
(Napa County, California)
2013 General Obligation Refunding Bonds

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the Refunding Bonds captioned above (the "**Refunding Bonds**") by the Napa Valley Unified School District (the "**District**").

INTRODUCTION

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

The District. The District is located in Napa County (the "**County**"). The District covers approximately 259 square miles and includes the City of Napa, the Town of Yountville, the City of American Canyon and adjacent unincorporated areas of the County. The District currently operates 19 elementary schools, 5 middle schools, 4 high schools, a continuation high school program and an adult education program. Enrollment in the District for the 2012-13 school year is approximately 18,058 students. For more information regarding the District and its finances, see Appendix B attached hereto.

For more information regarding the District and its finances, see Appendix A and Appendix B attached hereto. See also Appendix C hereto for demographic and other statistical information regarding the City of Napa and the County.

Purpose. The Refunding Bonds are being issued by the District to advance refund a portion of the District's outstanding:

- General Obligation Bonds, Election 2002, Series 2005, dated May 11, 2005, issued in the original aggregate principal amount of \$25,000,000 (the "**2005 Bonds**"), and

- General Obligation Bonds, Election 2002, Series 2006, dated May 16, 2006, issued in the original aggregate principal amount of \$35,000,000 (the "**2006 Bonds**").

See "THE REFINANCING PLAN" herein.

Authority for Issuance of the Refunding Bonds. The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**") and under a resolution adopted by the Board of Education of the District on April 18, 2013 (the "**Bond Resolution**"). See "THE REFUNDING BONDS - Authority for Issuance" herein.

Payment and Registration of the Refunding Bonds. The Refunding Bonds are being issued as current interest bonds. The Refunding Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. See "THE REFUNDING BONDS" and "APPENDIX F –Book-Entry Only System."

Interest on the Refunding Bonds accrues from the Dated Date and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2013. See "THE REFUNDING BONDS - Description of the Refunding Bonds."

Redemption. The Refunding Bonds are subject to redemption prior to their maturity as described in "THE REFUNDING BONDS - Redemption."

Security and Sources of Payment for the Refunding Bonds. The Refunding Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Refunding Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE REFUNDING BONDS."

The District has other series of general obligation bonds that are payable from *ad valorem* taxes levied on taxable property in the District. For a schedule of the general obligation bonds issued by the District, see "DEBT SERVICE SCHEDULES." See also "APPENDIX B - GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT - DISTRICT FINANCIAL INFORMATION - Long Term Borrowing."

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Refunding Bonds are available by request to the Office of the District Superintendent at Napa Valley Unified School District, 2425 Jefferson Street, Napa, California 94558; telephone (707) 253-3533. The District may impose a charge for copying, mailing and handling.

THE REFINANCING PLAN

2005 Bonds and 2006 Bonds Authorized. On November 5, 2002, the qualified voters in the District authorized the issuance of \$219,000,000 in general obligation bonds (the "**2002 Authorization**"). To finance the projects authorized by the authorization, on May 11, 2005 the District issued the 2005 Bonds, and on May 16, 2006 the District issued the 2006 Bonds.

Refunded Bonds. The Refunding Bonds are being issued by the District to refund on an advance basis certain maturities of the 2005 Bonds and on an advance basis certain maturities of the 2006 Bonds (collectively, the "**Refunded Bonds**"), as identified in the following tables.

NAPA VALLEY UNIFIED SCHOOL DISTRICT Identification of Refunded 2005 Bonds

Maturities to be Refunded (August 1)	CUSIP†	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
2016	630361 P49	\$ 110,000	08/01/2015	100%
2017	630361 P56	175,000	08/01/2015	100
2018	630361 P64	220,000	08/01/2015	100
2019	630361 P72	280,000	08/01/2015	100
2020	630361 P80	335,000	08/01/2015	100
2021	630361 P98	380,000	08/01/2015	100
2022	630361 Q22	455,000	08/01/2015	100
2023	630361 Q30	500,000	08/01/2015	100
2024	630361 Q48	935,000	08/01/2015	100
2025	630361 Q55	1,035,000	08/01/2015	100
2026	630361 Q63	2,855,000	08/01/2015	100
2027	630361 Q71	3,100,000	08/01/2015	100
2028	630361 Q89	5,690,000	08/01/2015	100
2029	630361 Q97	6,100,000	08/01/2015	100
		\$22,170,000		

† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
Identification of Refunded 2006 Bonds

Maturities to be Refunded (August 1)	CUSIP†	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
2017	630361 S38	\$1,345,000	08/01/2016	100%
2018	630361 S46	1,400,000	08/01/2016	100
2019	630361 S53	1,465,000	08/01/2016	100
2020	630361 S61	1,525,000	08/01/2016	100
2021	630361 S79	1,595,000	08/01/2016	100
2022	630361 S87	1,665,000	08/01/2016	100
2023	630361 S95	1,745,000	08/01/2016	100
2024	630361 T29	1,820,000	08/01/2016	100
2025	630361 T37	1,905,000	08/01/2016	100
2026	630361 T45	1,990,000	08/01/2016	100
2027	630361 T52	2,085,000	08/01/2016	100
2030	630361 T60	6,845,000	08/01/2016	100
		\$25,385,000		

† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.

Escrow Fund. The District will deliver a portion of the proceeds of the Refunding Bonds to U.S. Bank National Association, as escrow agent (the "**Escrow Bank**"), for deposit in an escrow fund (the "**Escrow Fund**") established under an Escrow Deposit and Trust Agreement (the "**Escrow Agreement**"), entered into by and between the District and the Escrow Bank.

On the Closing Date, the Escrow Bank will invest funds on deposit in the Escrow Fund in federal securities, and will apply such funds to pay interest due on the Refunded Bonds through and including the redemption date set forth in the foregoing tables, on which date the Refunded Bonds will be redeemed at a price equal to the principal amount thereof, plus the redemption premium identified above.

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

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Refunding Bonds.

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Refunding Bonds	\$48,515,000.00
Net Original Issue Premium	5,948,877.55
Total Sources	\$54,463,877.55

Uses of Funds

Costs of Issuance*	\$ 537,351.25
Deposit to Escrow Fund	53,926,526.30
Total Uses	\$54,463,877.55

**All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, Escrow Bank, verification agent and the rating agencies.*

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds will be issued under the Bond Law and the Bond Resolution.

Description of the Refunding Bonds

Book-Entry Form. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers of the Refunding Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Refunding Bonds. Payments of principal of and interest on the Refunding Bonds will be paid by U.S. Bank National Association, Los Angeles, California (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Refunding Bonds.

As long as DTC's book-entry method is used for the Refunding Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Refunding Bonds called for prepayment or of any other action premised on such notice. See "APPENDIX F – Book-Entry Only System."

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

Principal and Interest Payments. The Refunding Bonds will be dated the Dated Date and will bear interest payable semiannually each February 1 and August 1 (each, an "**Interest**"),

Payment Date"), commencing August 1, 2013, at the interest rates shown on the inside front cover page of this Official Statement. The Refunding Bonds will mature on August 1 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. Interest on the Refunding Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond authenticated on or before July 15, 2013, shall bear interest from the date of the Refunding Bonds. Each Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (the "**Record Date**") and that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If an Interest Payment Date does not fall on a business day, the interest, principal or redemption payment due on such Interest Payment Date will be paid on the next business day. The Refunding Bonds will be issued in the denomination of \$5,000 principal amount each or any integral multiple thereof.

See the maturity schedules on the inside cover page of this Official Statement and "DEBT SERVICE SCHEDULES" herein.

Redemption

Optional Redemption. The Refunding Bonds maturing on or before August 1, 2023 are not subject to redemption prior to their respective maturity dates. The Refunding Bonds maturing on or after August 1, 2024, are subject to redemption prior to their respective maturity dates, from moneys provided at the option of the District, in each case on any date on and after August 1, 2023, at a redemption price equal to the principal amount of the Refunding Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Selection of Refunding Bonds for Redemption. Whenever less than all of the Outstanding Refunding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Refunding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Refunding Bond will be deemed to consist of individual Refunding Bonds of \$5,000 denominations each, which may be separately redeemed.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to (i) one or more of the Information Services, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

The redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the Refunding Bonds to be redeemed, and will require that any redeemed Bonds be surrendered at the Principal Office of the Paying Agent for redemption, giving notice that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Refunding Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Refunding Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Refunding Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Refunding Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Refunding Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent, except that the time period for giving the original notice of redemption shall not apply to any notice of rescission thereof.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in Appendix F is no longer used with respect to the Refunding Bonds, the following provisions will govern the registration, transfer, and exchange of the Refunding Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Refunding Bonds (the "**Registration Books**"), which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Refunding Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Defeasance

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

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Refunding Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Refunding Bonds; or
- (c) by delivering such Refunding Bonds to the Paying Agent for cancellation by it.

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

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Refunding Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Refunding Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Refunding Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

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

liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

DEBT SERVICE SCHEDULES

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

NAPA VALLEY UNIFIED SCHOOL DISTRICT Debt Service Schedule 2013 General Obligation Refunding Bonds

Date	Principal	Interest	Semi-Annual Total	Annual Total
8/1/13	\$ 790,000	\$329,921.81	\$1,119,921.81	\$1,119,921.81
2/1/14	--	945,987.50	945,987.50	--
8/1/14	25,000	945,987.50	970,987.50	1,916,975.00
2/1/15	--	945,487.50	945,487.50	--
8/1/15	25,000	945,487.50	970,487.50	1,915,975.00
2/1/16	--	944,987.50	944,987.50	--
8/1/16	135,000	944,987.50	1,079,987.50	2,024,975.00
2/1/17	--	942,287.50	942,287.50	--
8/1/17	1,545,000	942,287.50	2,487,287.50	3,429,575.00
2/1/18	--	911,387.50	911,387.50	--
8/1/18	1,645,000	911,387.50	2,556,387.50	3,467,775.00
2/1/19	--	870,262.50	870,262.50	--
8/1/19	1,785,000	870,262.50	2,655,262.50	3,525,525.00
2/1/20	--	834,562.50	834,562.50	--
8/1/20	1,900,000	834,562.50	2,734,562.50	3,569,125.00
2/1/21	--	796,562.50	796,562.50	--
8/1/21	2,010,000	796,562.50	2,806,562.50	3,603,125.00
2/1/22	--	746,312.50	746,312.50	--
8/1/22	2,165,000	746,312.50	2,911,312.50	3,657,625.00
2/1/23	--	692,187.50	692,187.50	--
8/1/23	2,305,000	692,187.50	2,997,187.50	3,689,375.00
2/1/24	--	634,562.50	634,562.50	--
8/1/24	2,830,000	634,562.50	3,464,562.50	4,099,125.00
2/1/25	--	563,812.50	563,812.50	--
8/1/25	3,030,000	563,812.50	3,593,812.50	4,157,625.00
2/1/26	--	514,575.00	514,575.00	--
8/1/26	4,900,000	514,575.00	5,414,575.00	5,929,150.00
2/1/27	--	416,575.00	416,575.00	--
8/1/27	5,195,000	416,575.00	5,611,575.00	6,028,150.00
2/1/28	--	312,675.00	312,675.00	--
8/1/28	7,845,000	312,675.00	8,157,675.00	8,470,350.00
2/1/29	--	155,775.00	155,775.00	--
8/1/29	8,275,000	155,775.00	8,430,775.00	8,586,550.00
2/1/30	--	31,650.00	31,650.00	--
8/1/30	2,110,000	31,650.00	2,141,650.00	2,173,300.00
Total	\$48,515,000	\$22,849,221.81	\$71,364,221.81	\$71,364,221.81

Combined General Obligation Bonds Debt Service. In addition to the Refunding Bonds, the District has previously issued other general obligation bonds, as described in Appendix B. The County levies an amount necessary to pay such bonds and the Refunding Bonds, which are payable on a parity from such tax levies. The following table shows the combined debt service for other outstanding general obligation bonds of the District, together with the Refunding Bonds. The debt service shown includes only the debt service that the County will levy, and does not include any federal subsidy payments which may have been pledged to interest on certain of the District's outstanding bonds.

**NAPA VALLEY UNIFIED SCHOOL DISTRICT
Combined Debt Service Schedule
General Obligation Bonds**

Period Ending (August 1)	Other General Obligation Bonds Debt Service*	Refunding Bonds Debt Service	Aggregate Annual Debt Service
2013	\$15,361,565.67	\$1,119,921.81	\$16,481,487.48
2014	14,840,948.78	1,916,975.00	16,757,923.78
2015	15,131,046.28	1,915,975.00	17,047,021.28
2016	15,485,866.28	2,024,975.00	17,510,841.28
2017	14,450,231.28	3,429,575.00	17,879,806.28
2018	14,776,481.28	3,467,775.00	18,244,256.28
2019	15,102,631.28	3,525,525.00	18,628,156.28
2020	15,429,656.28	3,569,125.00	18,998,781.28
2021	15,805,581.28	3,603,125.00	19,408,706.28
2022	16,160,037.52	3,657,625.00	19,817,662.52
2023	16,267,843.76	3,689,375.00	19,957,218.76
2024	16,361,508.76	4,099,125.00	20,460,633.76
2025	16,412,796.26	4,157,625.00	20,570,421.26
2026	15,190,171.26	5,929,150.00	21,119,321.26
2027	15,605,063.76	6,028,150.00	21,633,213.76
2028	13,990,963.76	8,470,350.00	22,461,313.76
2029	14,056,920.00	8,586,550.00	22,643,470.00
2030	15,226,870.00	2,173,300.00	17,400,170.00
2031	15,732,080.00		15,732,080.00
2032	16,341,575.00		16,341,575.00
2033	16,824,725.00		16,824,725.00
2034	17,548,052.95		17,548,052.95
2035	18,240,888.40		18,240,888.40
2036	18,910,551.25		18,910,551.25
2037	19,505,660.66		19,505,660.66
2038	20,112,084.25		20,112,084.25
2039	20,722,818.10		20,722,818.10
2040	21,338,427.96		21,338,427.96
2041	21,963,832.60		21,963,832.60
2042	22,598,672.60		22,598,672.60
2043	23,240,412.90		23,240,412.90
2044	15,426,394.45		15,426,394.45
2045	12,857,881.00		12,857,881.00
2046	12,860,900.40		12,860,900.40
2047	7,769,593.30		7,769,593.30
2048	7,768,686.60		7,768,686.60
2049	7,770,000.00		7,770,000.00
Total	\$593,189,420.91	\$71,364,221.81	\$76,650,941.81

* Represents gross debt service and does not include any expected federal subsidies..

SECURITY FOR THE REFUNDING BONDS

Ad Valorem Taxes

Refunding Bonds Payable from Ad Valorem Property Taxes. The Refunding Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Refunding Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Other Bonds Payable from Ad Valorem Property Taxes. The District has previously issued other general obligation bonds, which are payable from *ad valorem* taxes on a parity basis. Currently, the District has other outstanding general obligation bonds currently outstanding in the aggregate principal amount of \$270,274,999.95 that are similarly secured and payable from *ad valorem* taxes.

In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Direct and Overlapping Debt" below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Refunding Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Refunding Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. See "-Teeter Plan; Property Tax Collections" below.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Refunding Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Refunding Bonds. Fluctuations in the annual debt service on the Refunding Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

The County will establish a Debt Service Fund (the "**Debt Service Fund**") for the Refunding Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Refunding Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Refunding Bonds when and as the same become due. The District will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Refunding Bonds as the same becomes due and payable.

If, after payment in full of the Refunding Bonds, any amounts remain on deposit in a Debt Service Fund, the District shall transfer such amounts to its General Fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Refunding Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Refunding Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Historic Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see Appendix B under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table sets forth the assessed value in the District for the years 2003-04 through 2012-13.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2003-04 through 2012-13

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2003-04	11,338,594,265	11,295,898	500,791,426	11,850,681,589	--
2004-05	12,486,603,265	9,824,461	554,817,487	13,051,245,213	10.13%
2005-06	14,011,843,244	11,605,699	586,348,887	14,609,797,830	11.94
2006-07	15,673,525,458	11,289,612	653,933,361	16,338,748,431	11.83
2007-08	17,132,700,687	2,355,430	760,532,405	17,895,588,522	9.53
2008-09	17,935,395,365	2,355,430	882,850,800	18,820,601,595	5.17
2009-10	17,680,658,223	2,355,430	933,046,300	18,616,059,953	(1.09)
2010-11	17,623,408,068	2,355,430	878,175,996	18,503,939,494	(0.60)
2011-12	17,664,729,936	2,218,012	873,053,436	18,540,001,384	0.16
2012-13	17,866,534,610	2,218,012	941,039,273	18,809,791,895	1.46

Source: California Municipal Statistics, Inc.

Parcels by Land Use

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2012-13.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2012-13

	2012-13 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Vineyards	\$3,067,906,314	17.17%	1,415	3.48%
Commercial	1,836,515,666	10.28	1,533	3.77
Vacant Commercial	109,558,717	0.61	429	1.06
Industrial/Winery	1,156,831,370	6.47	380	0.94
Vacant Industrial	125,733,425	0.70	296	0.73
Vacant Unclassified	53,240,746	0.30	929	2.29
Subtotal Non-Residential	\$6,349,786,238	35.54%	4,982	12.26%
Residential:				
Single Family Residence	\$ 7,113,283,991	39.81%	23,989	59.05%
Condominium/Townhouse	812,042,945	4.55	3,085	7.59
Rural Residential	2,389,788,090	13.38	3,939	9.70
Mobile Home Park	73,140,296	0.41	21	0.05
2-4 Residential Units	402,978,963	2.26	1,464	3.60
5+ Residential Units/Apartments	509,897,277	2.85	345	0.85
Vacant Residential	215,616,810	1.21	2,799	6.89
Subtotal Residential	\$11,516,748,372	64.46%	35,642	87.74%
Total	\$17,866,534,610	100.00%	40,624	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Per Parcel Assessed Valuation of Single-Family Homes

The following table sets forth the per parcel assessed valuation of single-family homes in fiscal year 2012-13.

NAPA VALLEY UNIFIED SCHOOL DISTRICT Per Parcel Assessed Valuation of Single-Family Homes

	No. of Parcels	2012-13 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	173,947	\$24,261,625,110	\$139,477	\$117,145

2012-13 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	3,429	1.971%	1.971%	\$ 70,720,339	0.291%	0.291%
\$25,000 - \$49,999	21,591	12.412	14.384	848,113,675	3.496	3.787
\$50,000 - \$74,999	23,314	13.403	27.787	1,446,122,727	5.961	9.748
\$75,000 - \$99,999	23,171	13.321	41.107	2,025,718,566	8.349	18.097
\$100,000 - \$124,999	21,624	12.431	53.539	2,431,116,253	10.020	28.118
\$125,000 - \$149,999	19,392	11.148	64.687	2,659,630,961	10.962	39.080
\$150,000 - \$174,999	16,861	9.693	74.380	2,731,755,636	11.260	50.339
\$175,000 - \$199,999	12,469	7.168	81.548	2,324,228,931	9.580	59.919
\$200,000 - \$224,999	8,653	4.975	86.523	1,831,708,698	7.550	67.469
\$225,000 - \$249,999	6,003	3.451	89.974	1,418,322,443	5.846	73.315
\$250,000 - \$274,999	3,853	2.215	92.189	1,006,679,350	4.149	77.464
\$275,000 - \$299,999	2,741	1.576	93.765	785,278,972	3.237	80.701
\$300,000 - \$324,999	2,405	1.383	95.147	750,055,568	3.092	83.793
\$325,000 - \$349,999	1,787	1.027	96.175	600,965,615	2.477	86.270
\$350,000 - \$374,999	1,260	0.724	96.899	455,875,615	1.879	88.149
\$375,000 - \$399,999	936	0.538	97.437	361,890,317	1.492	89.640
\$400,000 - \$424,999	796	0.458	97.895	327,264,727	1.349	90.989
\$425,000 - \$449,999	640	0.368	98.263	279,698,476	1.153	92.142
\$450,000 - \$474,999	492	0.283	98.546	226,947,632	0.935	93.077
\$475,000 - \$499,999	381	0.219	98.765	185,511,425	0.765	93.842
\$500,000 and greater	2,149	1.235	100.000	1,494,019,184	6.158	100.000
Total	173,947	100.000%		\$24,261,625,110	100.000%	

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

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix B.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home

prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix B.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

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

Teeter Plan; Property Tax Collections

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 2-000 (a typical tax rate area in the District) for fiscal year 2012-13.

NAPA VALLEY UNIFIED SCHOOL DISTRICT Typical Total Tax Rate per \$100 of Assessed Valuation (TRA 2-000)⁽¹⁾

County General	1.0000
City of Napa	.0150
Napa Valley Community College	.0250
Napa Valley Unified School District	.0654
Total Tax Rate	1.1054

(1) 2012-13 assessed valuation of TRA 2-000 is \$1,763,811,687.

Source: *California Municipal Statistics Inc.*

Top Twenty Property Owners

General. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2012-13 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the District, the greater amount of tax collections are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

**NAPA VALLEY UNIFIED SCHOOL DISTRICT
Top Twenty Secured Property Taxpayers
Fiscal Year 2012-13**

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total (1)
1.	Treasury Wine Estates Americas Company	Winery/Vineyards	\$ 95,468,429	0.53%
2.	Dey Laboratories LP	Industrial	91,424,407	0.51
3.	Inland American Lodging Napa Solano LLC	Hotel	78,649,800	0.44
4.	Kenneth E. and Gail Laird	Winery/Vineyards	70,064,404	0.39
5.	SPP Napa Vineyards LLC	Winery/Vineyards	67,408,129	0.38
6.	Meritage Resort LLC	Hotel	64,955,696	0.36
7.	Hawthorn Village LP	Apartments	62,934,586	0.35
8.	Peter A. and Vernice H. Gasser Foundation	Commercial	56,438,941	0.32
9.	Stags Leap Wine Cellars	Winery/Vineyards	56,193,857	0.31
10.	Sutter Home Winery Inc.	Winery/Vineyards	53,424,344	0.30
11.	Robert Mondavi Properties Inc.	Winery/Vineyards	53,310,569	0.30
12.	Yahome Vineyards LP	Winery/Vineyards	52,086,405	0.29
13.	Chelsea Financing Partnership LP	Commercial	48,884,837	0.27
14.	Kenzo Estate Inc.	Winery/Vineyards	48,782,683	0.27
15.	Codorniu Napa Inc.	Winery/Vineyards	48,707,548	0.27
16.	Domaine Chandon Inc.	Winery/Vineyards	48,570,198	0.27
17.	HT Napa LLC	Hotel	47,593,350	0.27
18.	Barrel Ten Quarter Circle Land Co. Inc.	Winery/Vineyards	46,849,229	0.26
19.	SDG Hanna Court 411 LLC	Winery/Vineyards	46,234,651	0.26
20.	Copia Liquidation	Commercial	43,484,247	0.24
			<u>\$1,181,466,310</u>	<u>6.61%</u>

(1) 2012-13 Total Secured Assessed Valuation: \$17,866,534,610

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated March 1, 2013 with respect to debt issued by January 11, 2013. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

NAPA VALLEY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated As of March 1, 2013

2012-13 Assessed Valuation: \$18,809,791,895

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/13</u>	
Napa Joint Community College District	66.641%	\$ 72,733,990	
Napa Valley Unified School District	100.000	270,275,000	(1)
City of American Canyon 1915 Act Bonds (Estimate)	100.000	21,950,000	
California Statewide Communities Development Authority 1915 Act Bonds	100.000	2,367,184	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$367,326,174	
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Napa County General Fund Obligations	66.237%	\$16,937,000	
Napa County Board of Education Certificates of Participation	66.237	2,148,222	
City of American Canyon General Fund Obligations	100.000	2,465,000	
Town of Yountville General Fund Obligations	100.000	14,425,000	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$35,975,222	
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		 \$15,490,000	
 COMBINED TOTAL DEBT		 \$418,791,396	 (2)

(1) Excludes Refunding Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$270,275,000)	1.44%
Total Direct and Overlapping Tax and Assessment Debt	1.95%
Combined Total Debt	2.23%

Ratios to Redevelopment Incremental Valuation (\$613,352,857):

Total Overlapping Tax Increment Debt	2.53%
--------------------------------------	-------

(1) Excludes any bonds issued between date of preparation (1/11/13) and dated date of this report (3/1/13).

(2) Excludes issue to be sold.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Refunding Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District (an "**Annual Report**") to the Municipal Securities Rulemaking Board not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2014 with the report for the 2012-2013 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter of the Refunding Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**").

The District recently determined that its annual report for fiscal year 2008-09 as filed inadvertently included an unaudited Annual Financial Report rather than an audited. Upon discovering the error, the District corrected the filing to include the audited version. Other than with respect to that filing, the District has never failed to comply, in all material respects, with an undertaking pursuant to the Rule. Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

VERIFICATION OF MATHEMATICAL ACCURACY

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

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

CERTAIN LEGAL MATTERS

Absence of Material Litigation

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

Legal Opinion

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

TAX MATTERS

Tax Exemption

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

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Refunding Bonds. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Refunding Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Refunding Bonds.

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

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

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Refunding Bond (said term being the shorter of the Refunding Bond's maturity date

or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Refunding Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Refunding Bond is amortized each year over the term to maturity of the Refunding Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Refunding Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Refunding Bonds.

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

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

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

Other Tax Considerations

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

Future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Refunding Bonds to be subject to, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Refunding Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**") have assigned ratings "Aa2" and "AA-," respectively, to the Refunding Bonds.

The District has provided certain additional information and materials to Moody's and S&P (some of which does not appear in this Official Statement). Such ratings reflect only the respective views of Moody's and S&P and an explanation of the significance of such ratings and outlooks may be obtained only from the applicable rating agency. There is no assurance that any credit ratings given to the Refunding Bonds will be maintained for any period of time or that

the rating may not be lowered or withdrawn entirely by Moody's or S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Refunding Bonds.

UNDERWRITING

The Refunding Bonds are being purchased by TD Securities (USA) LLC (the "**Underwriter**"). The Underwriter has agreed to purchase the Refunding Bonds at a price of \$54,145,134.00 (which is equal to the initial principal amount of the Refunding Bonds, plus net original issue premium of \$5,948,877.55 and less Underwriter's discount of \$318,743.55). The Underwriter will purchase all of the Refunding Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution, the Escrow Agreement and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Refunding Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District. The District may impose charges for copying, mailing and handling.

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

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

NAPA VALLEY UNIFIED SCHOOL DISTRICT

By: /s/ J. Wade Roach
Assistant Superintendent,
Business Services

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDING JUNE 30, 2012**

NAPA VALLEY UNIFIED SCHOOL DISTRICT
COUNTY OF NAPA
NAPA, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

NAPA VALLEY UNIFIED SCHOOL DISTRICT

JUNE 30, 2012

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NAPA VALLEY UNIFIED SCHOOL DISTRICT

JUNE 30, 2012

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NAPA VALLEY UNIFIED SCHOOL DISTRICT

JUNE 30, 2012

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FINANCIAL SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
Napa Valley Unified School District
Napa, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Napa Valley Unified School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

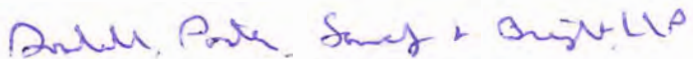
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of *California Code of Regulations* Title 5 Education, Section 19810, and following. 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, business-type activities, each major fund and the aggregate remaining fund information of the Napa Valley Unified School District as of June 30, 2012 and the respective changes in financial position and cash flows where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and accounting by employer for postemployment benefits on pages 3 through 14, 58 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 12, 2012

NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

This section of the Napa Valley Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the transmittal letter at the front of the report and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- Total current year Governmental Fund expenditures exceeded total current year revenues by \$11.9 million due to the expenditure of \$15 million of bond proceeds from the Building Fund. Major governmental funds include the General Fund, the Bond Interest and Redemption Fund and the County School Facilities Fund.
- Capital assets, net of depreciation, increased by \$10.8 million, and were primarily financed by funds from the proceeds of Measure M bonds.
- Enrollment, excluding the Charter Schools, increased 210 average daily attendance (approximately 1.5%). Revenue limit income decreased \$883 thousand due to deficits imposed by the State.
- The District refunded \$27,320,000 in General Obligation Bonds from issuances in 2002, Series A and 2004. The taxpayer's gross savings are anticipated to be over \$2.9 million.
- The District completed its General Obligation Bond projects with the installation of security cameras at Napa High School, Vintage High School, New Tech High School, the District's middle schools and the Education Center. The Bond Oversight Committee submitted their final report to the Board of Education November 15, 2012.
- Responding to direction from the State after passage of AB300, the District continues preparatory work and project planning to address seismic upgrades and modernization at several campuses. The first on-site construction work is expected to begin in the Summer of 2013.

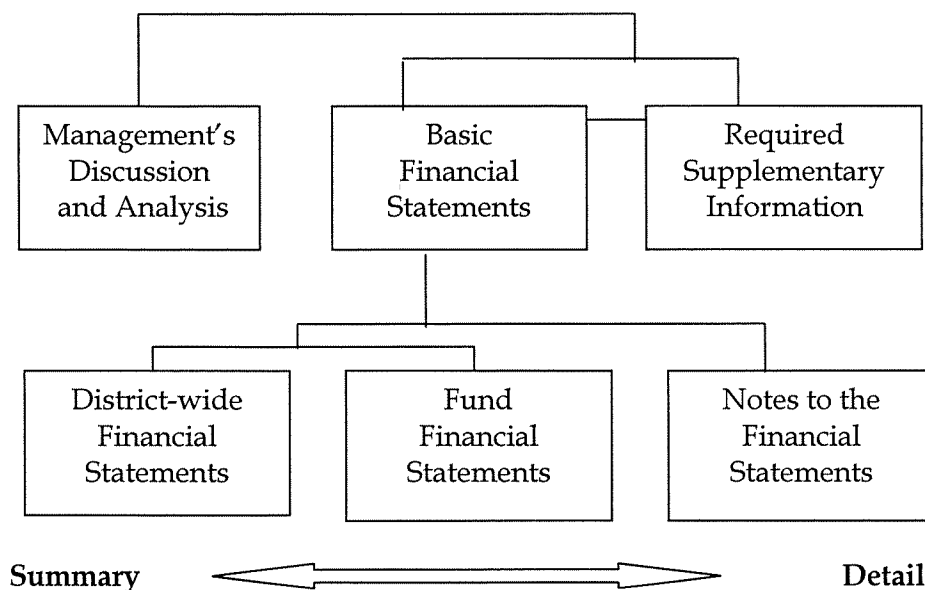
NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL HIGHLIGHTS (CONCLUDED)

- A priority of the Board of Education is that NVUSD students, upon graduation, are career and college ready. As such, the District continues to partner with the Napa County Office of Education in the offering of occupational training programs. Work was started in 2011/2012 to develop a robust Fire Science program to be housed at Napa High School. Many local vendors and municipalities have donated equipment, including a working fire truck, that will be utilized in daily classroom activities.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfers out, and other uses (total outgo). At June 30, 2012, the District has reserves for economic uncertainty of \$14,488,750 in the General Fund which represents total available reserves of 12.5%.
- General Fund revenues and other sources exceeded expenditures and other outgo by \$5,461,880.

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and the Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.



NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

THE FINANCIAL REPORT (CONTINUED)

- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary funds statements.
 - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. Comparisons of the District's budgets for the General Fund for the year are included.

Reporting the District as a Whole

The District as a whole is reported in the District-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

Governmental Activities

The basic services provided by the District, such as regular and special education, adult education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal contract and grants, and local revenues.

Reporting the District's Most Significant Funds:

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds

The major governmental funds of the Napa Valley Unified School District are the General Fund, Bond Interest and Redemption Fund and County School Facilities Fund. Governmental funds reporting focus on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting 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 operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. The District has two proprietary funds, an Internal Service Fund and an Enterprise Fund, which are reported with the Governmental Funds. The Internal Service Fund is used to account for the activities of the workers' compensation and property and liability self-insurance programs. The Enterprise Fund is used to account for fee-based Child Care Program operations.

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of 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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net assets, including capital assets, decreased from \$162,585,769 at June 30, 2011 to \$160,683,892 at June 30, 2012, or 1.2%. A comparative analysis of government-wide data is presented in Table 1.

**(Table 1)
Comparative Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	(Restated)				(Restated)	
	2012	2011	2012	2011	2012	2011
Assets						
Cash and investments	\$ 61,114,147	\$ 78,383,895	\$ 96,435	\$ 361,070	\$ 61,210,582	\$ 78,744,965
Receivables	20,227,919	46,488,835			20,227,919	46,488,835
Prepaid expenses	1,631,640	202,414			1,631,640	202,414
Stores Inventory	342,507	327,219			342,507	327,219
Capital assets	387,616,668	376,810,941			387,616,668	376,810,941
Total assets	<u>\$ 470,932,881</u>	<u>\$ 502,213,304</u>	<u>\$ 96,435</u>	<u>\$ 361,070</u>	<u>\$ 471,029,316</u>	<u>\$ 502,574,374</u>
Liabilities						
Accounts payable and other						
current liabilities	\$ 11,048,676	\$ 37,874,942	\$ 18,229	\$ 353,760	\$ 11,066,905	\$ 38,228,702
Deferred revenue	5,732,550	9,215,057			5,732,550	9,215,057
Long-term liabilities	293,587,344	292,326,970			293,587,344	292,326,970
Total liabilities	<u>\$ 310,368,570</u>	<u>\$ 339,416,969</u>	<u>\$ 18,229</u>	<u>\$ 353,760</u>	<u>\$ 310,386,799</u>	<u>\$ 339,770,729</u>
Net Assets						
Invested in capital assets, net of						
related debt	\$ 112,251,668	\$ 115,376,025			\$ 112,251,668	\$ 115,376,025
Restricted	49,358,481	50,151,463			49,358,481	50,151,463
Unrestricted (Deficit)	(1,045,838)	(3,731,153)	\$ 78,206	\$ 7,310	(967,632)	(3,723,843)
Total Net Assets	<u>\$ 160,564,311</u>	<u>\$ 161,796,335</u>	<u>\$ 78,206</u>	<u>\$ 7,310</u>	<u>\$ 160,642,517</u>	<u>\$ 161,803,645</u>

The District has invested \$489.2 million in capital assets by 2011-12 increasing total capital assets, net of depreciation, by \$10.8 million over 2010-11.

The District completed the final grade level expansion at American Canyon High School and activated another wing of the campus. The student population stands just below 1,400 with room for future growth of another 600 students. The District's general obligation bond fund was closed out at the end of 2011/2012 with all project savings redirected into other restricted funds for future construction projects.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES

District net assets decreased \$1.4 million during fiscal year 2011-12.

(Table 2)
Comparative Statement of Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues	\$ 32,603,944	\$ 32,642,677	\$ 476,400	\$ 427,057	\$ 33,080,344	\$ 33,069,734
General revenues						
Taxes levied for general purposes	78,414,477	48,937,934			78,414,477	48,937,934
Taxes levied for debt service	14,060,442				14,060,442	
Taxes levied for other special purposes	313,947	87,534			313,947	87,534
Federal and State aid not restricted to specific purposes	37,629,979	69,022,718			37,629,979	69,022,718
Interest and investment earnings	272,732	705,162	1,044	1,240	273,776	706,402
Interagency revenues	386,891	289,518			386,891	289,518
Miscellaneous	2,946,657	13,818,633			2,946,657	13,818,633
Total revenues	166,629,069	165,504,176	477,444	\$ 428,297	167,106,513	165,932,473
Expenses						
Instruction	95,238,656	96,110,668			95,238,656	96,110,668
Instruction related services	17,068,281	16,808,045			17,068,281	16,808,045
Pupil support services	15,389,911	15,412,113			15,389,911	15,412,113
General administration	6,793,558	6,498,757			6,793,558	6,498,757
Plant services	18,258,073	17,617,017			18,258,073	17,617,017
Ancillary services	778,169	890,071			778,169	890,071
Community services	206,133	282,749			206,133	282,749
Enterprise Activities	879,716	702,002	406,548	420,987	1,286,264	1,122,989
Interest on long-term debt	14,241,531	15,095,648			14,241,531	15,095,648
Other	7,065	6,721			7,065	6,721
Total expenses	168,861,093	169,423,791	406,548	420,987	169,267,641	169,844,778
Increase (Decrease) in net assets	\$ (2,232,024)	\$ (3,919,615)	\$ 70,896	\$ 7,310	\$ (2,161,128)	\$ (3,912,305)

Total expenses decreased \$577 thousand (0.3%) during fiscal year 2011-12. The District's expenses were predominantly related to educating and caring for students (75%).

NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Costs of Services		Percentage Change	Net Cost of Services		Percentage Change
	2012	2011		2012	2011	
Instruction	\$ 95,238,656	\$ 96,110,668	-0.9%	\$ (76,682,107)	\$ (76,786,662)	-0.1%
Instruction Related Services	17,068,281	16,808,045	1.5%	(13,601,324)	(13,084,127)	4.0%
Pupil Services	15,389,911	15,412,113	-0.1%	(5,789,684)	(7,380,439)	-21.6%
General Administration	6,793,558	6,498,757	4.5%	(6,428,589)	(5,989,927)	7.3%
Plant Services	18,258,073	17,617,017	3.6%	(17,983,961)	(17,301,727)	3.9%
Ancillary Services	778,169	890,071	-12.6%	(494,752)	(571,769)	-13.5%
Community Services	206,133	282,749	-27.1%	(193,802)	(247,441)	-21.7%
Enterprise Activities	879,716	702,002	25.3%	(834,334)	(695,873)	19.9%
Interest on Long-Term Debt	14,241,531	15,095,648	-5.7%	(14,241,531)	(15,095,648)	-5.7%
Other Outgo	7,065	6,721	5.1%	(7,065)	372,499	-101.9%
Totals	<u>\$ 168,861,093</u>	<u>\$ 169,423,791</u>	<u>-0.3%</u>	<u>\$ (136,257,149)</u>	<u>\$ (136,781,114)</u>	<u>\$ -0.4%</u>

The above table presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's general revenues for providing the services above.

Program revenues financed 19.6% of the total cost of providing the services listed above, while the remaining 80.4% was financed by the general revenues of the District.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues for Governmental Functions

	FYE 2012 Amount	Percent of Total	Increase (Decrease) from FYE 2011	Percent Increase (Decrease)*
Program Revenues				
Charges for Services	\$ 2,329,963	1.4%	\$ 1,877,516	415.0%
Operating and Capital Grants and Contributions	30,273,981	18.2%	(1,916,249)	-6.0%
General Revenues				
Taxes Levied	92,788,866	55.7%	43,763,398	89.0%
Federal and State Aid	37,629,979	22.6%	(31,392,739)	-45.0%
Interest and Investment Earnings	272,732	0.2%	(432,430)	-61.0%
Transfers from other Agencies	386,891	0.2%	97,373	34.0%
Miscellaneous	2,946,657	1.8%	(10,871,976)	-79.0%
Total Revenues	\$ 166,629,069	100.0%	\$ 1,124,893	1.0%

* Change in Percent of Total from 2011 to 2012

Summary of Expenditures for Governmental Functions

	FYE 2012 Amount	Percent of Total	Increase (Decrease) from FYE 2011	Percent Increase (Decrease)*
Expenses				
Instruction	\$ 95,238,656	56.4%	\$ (872,012)	-1.0%
Instruction Related Services	17,068,281	10.1%	260,236	2.0%
Pupil Services	15,389,911	9.1%	(22,202)	0.0%
General Administration	6,793,558	4.0%	294,801	5.0%
Plant Services	18,258,073	10.8%	641,056	4.0%
Ancillary Services	778,169	0.5%	(111,902)	-13.0%
Community Services	206,133	0.1%	(76,616)	-27.0%
Enterprise Activities	879,716	0.5%	177,714	25.0%
Interest on Long-Term Debt	14,241,531	8.4%	(854,117)	-6.0%
Other Outgo	7,065	0.0%	344	5.0%
Total Expenses	\$ 168,861,093	100.0%	\$ (562,698)	0.0%

* Change in Percent of Total from 2011 to 2012

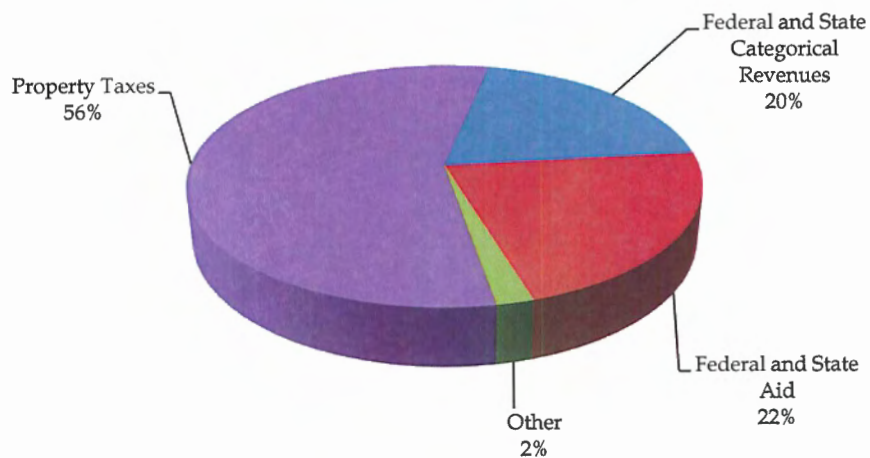
NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

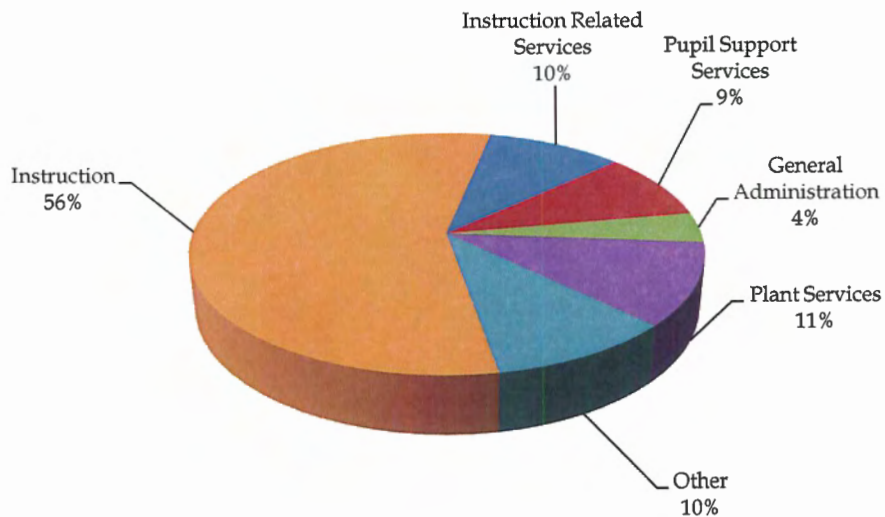
Sources of Revenue for the 2011-12 Fiscal Year

Figure 1



Expenses for the Fiscal Year 2011-12

Figure 2



NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Capital assets, net of depreciation, increased by \$10.8 million due primarily to school modernization and improvement projects that were financed by proceeds from the sale of bonds and the sale of land, and District growth projects that were financed by developer fees.

Comparative Schedule of Capital Assets

	<u>2012</u>	<u>2011</u>
Land	\$ 12,440,826	\$ 12,440,826
Sites and Improvements	54,916,334	49,744,174
Buildings and Improvements	395,218,624	364,292,621
Furniture and Equipment	21,805,606	20,371,614
Work in Process	4,857,031	20,836,564
Subtotals	<u>489,238,421</u>	<u>467,685,799</u>
Less: Accumulated Depreciation	<u>101,621,753</u>	<u>90,874,858</u>
Totals	<u>\$ 387,616,668</u>	<u>\$ 376,810,941</u>

In November 2006, Napa Valley Unified School District passed a local bond in the amount of \$183 million. These bond funds, enhanced by State Proposition D funds, will continue to increase the value of capital assets over the coming years.

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 281,341,021	\$ 282,003,732
Capital Lease Obligations	150,981	287,352
Other Post-employment Benefits	10,865,390	8,848,188
Compensated Absences	<u>1,229,952</u>	<u>1,187,698</u>
Totals	<u>\$ 293,587,344</u>	<u>\$ 292,326,970</u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The District has continued to meet the debt service requirements for its bonded debt.

Compensated absences have increased by \$42,254.

The notes to the financial statements are an integral part of the financial presentation and contain information that is more detailed as to interest, principal, retirement amounts, and future debt retirement dates.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revised its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revised figures and updated 45 days after the State approves its final budget. In addition, the District revised its budget at First and Second Interim. The Original budget presented on page 56 includes only new revenues for 2011-2012. During the budget revision process the District accounts for prior year ending balances by budgeting to use the carryover.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Entering the 2012-13 school year, the District faced the certainty of tremendous reductions in State funding if the California electorate failed to increase taxes via Proposition 30. The Board, realizing that passage of this proposition was far from guaranteed, built the 2012-13 budget assuming failure of this and other competing tax measures. Budget reductions first enacted in 2009-10 and subsequently increased in 2010-11, were carried forward into 2011-12. Arguably, the harshest of these reductions were the seven furlough days, including five instructional days, negotiated with all employee and management groups. Several years of prudent budget decisions, coupled with the passage of Prop. 30, has given the District some financial breathing room and a healthy reserve level. As such, the Board, in December 2012, restored four of the seven furlough days for 2012-13.

On the local level, enrollment for the District continues to increase with an unexpected jump at the elementary and high schools in 2012-13. An updated demographic report, however, is indicating a stabilization and slight decrease over the next five years. The District needs to prudently monitor enrollment variances and continue to encourage growth in programs that attract and retain students.

At this time, the District is forecasting a 9% reduction in future Federal revenues, assuming sequester at the Federal level, and the implementation of automatic budget reductions.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Wade Roach, Assistant Superintendent of Business Services, Napa Valley Unified School District, 2425 Jefferson Street, Napa, California 94558.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2012

		Governmental Activities	Business-type Activities	Total
<u>Assets</u>				
Cash (Note 2)		\$ 61,114,147	\$ 96,435	\$ 61,210,582
Accounts Receivable (Note 4)		20,227,919		20,227,919
Stores Inventory (Note 1I)		342,507		342,507
Prepaid Expenses (Note 1I)		1,631,640		1,631,640
Capital Assets, Net of Depreciation (Note 6)		387,616,668		387,616,668
Total Assets		<u>\$ 470,932,881</u>	<u>\$ 96,435</u>	<u>\$ 471,029,316</u>
<u>Liabilities</u>				
Accounts Payable and Other Current Liabilities		\$ 11,048,676	\$ 18,229	\$ 11,066,905
Deferred Revenue (Note 1I)		5,732,550		5,732,550
Long-term Liabilities (Note 10)				
Due Within One Year	\$ 4,478,004			
Due After One Year	289,109,340			
Total Long-Term Liabilities		293,587,344		293,587,344
Total Liabilities		<u>\$ 310,368,570</u>	<u>\$ 18,229</u>	<u>\$ 310,386,799</u>
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt		\$ 112,251,668		\$ 112,251,668
Restricted For:				
Capital Projects		35,840,025		35,840,025
Debt Service		10,287,102		10,287,102
Education Programs		3,231,354		3,231,354
Unrestricted (Deficit)		(1,045,838)	\$ 78,206	(967,632)
Total Net Assets		<u>\$ 160,564,311</u>	<u>\$ 78,206</u>	<u>\$ 160,642,517</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Instruction	\$ 95,238,656	\$ 212,832	\$ 14,859,400	\$ 3,484,317	\$ (76,682,107)		\$ (76,682,107)
Instruction-Related Services:							
Supervision of Instruction	5,484,649	28,793	2,779,657		(2,676,199)		(2,676,199)
Instructional Library, Media and Technology	931,597	2,043	339,986		(589,568)		(589,568)
School Site Administration	10,652,035	3,307	313,171		(10,335,557)		(10,335,557)
Pupil Services:							
Home-To-School Transportation	3,258,110	251,280	2,358,688		(648,142)		(648,142)
Food Services	5,557,291	1,763,517	3,911,723		117,949		117,949
All Other Pupil Services	6,574,510	28,564	1,286,455		(5,259,491)		(5,259,491)
General Administration:							
Data Processing	1,000,658				(1,000,658)		(1,000,658)
All Other General	5,792,900	6,646	358,323		(5,427,931)		(5,427,931)
Plant Services	18,258,073	20,892	253,220		(17,983,961)		(17,983,961)
Ancillary Services	778,169	10,445	272,972		(494,752)		(494,752)
Community Services	206,133	185	12,146		(193,802)		(193,802)
Enterprise Activities	879,716	1,459	43,923		(834,334)		(834,334)
Interest on Long-Term Debt	14,241,531				(14,241,531)		(14,241,531)
Other Outgo	7,065				(7,065)		(7,065)
Total Governmental Activities	168,861,093	2,329,963	26,789,664	3,484,317	(136,257,149)		(136,257,149)
Business-Type Activities							
Enterprise Activities	406,548		476,400			\$ 69,852	69,852
Total	\$ 169,267,641	\$ 2,329,963	\$ 27,266,064	\$ 3,484,317	(136,257,149)	69,852	(136,187,297)
General Revenues:							
Property Taxes Levied For:							
General Purposes					78,414,477		78,414,477
Debt Service					14,060,442		14,060,442
Other Specific Purposes					313,947		313,947
Federal and State Aid Not Restricted to Specific Purposes					37,629,979		37,629,979
Interest and Investment Earnings					272,732	1,044	273,776
Interagency Revenues					386,891		386,891
Miscellaneous					2,946,657		2,946,657
Total General Revenues					134,025,125	1,044	134,026,169
Change (Decrease) in Net Assets					(2,232,024)	70,896	(2,161,128)
Net Assets Beginning (Restated - Note 15)					162,796,335	7,310	162,803,645
Net Assets Ending					\$ 160,564,311	\$ 78,206	\$ 160,642,517

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Bond Interest and Redemption Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash (Note 2)	\$ 6,444,085	\$ 10,093,760	\$ 30,374,336	\$ 10,939,839	\$ 57,852,020
Accounts Receivable (Note 4)	16,244,688	193,342	884,800	2,885,300	20,208,130
Due From Other Funds (Note 5)	176,914		4,401	670,154	851,469
Stores Inventory (Note 1I)	268,208			74,299	342,507
Prepaid Expenditures (Note 1H)	1,437,548			5,173	1,442,721
Total Assets	<u>\$ 24,571,443</u>	<u>\$ 10,287,102</u>	<u>\$ 31,263,537</u>	<u>\$ 14,574,765</u>	<u>\$ 80,696,847</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 3,685,563		\$ 1,238,394	\$ 1,240,125	\$ 6,164,082
Deferred Revenue (Note 1I)	236,869			41,375	278,244
Due to Other Funds (Note 5)	1,198,151		92	448,952	1,647,195
Total Liabilities	<u>5,120,583</u>		<u>1,238,486</u>	<u>1,730,452</u>	<u>8,089,521</u>
Fund Balances (Note 1I):					
Nonspendable	1,730,756			79,472	1,810,228
Restricted	3,231,354	\$ 10,287,102	25,716,242	818,053	40,052,751
Committed				1,025,627	1,025,627
Assigned			4,308,809	10,921,161	15,229,970
Unassigned	14,488,750				14,488,750
Total Fund Balances	<u>19,450,860</u>	<u>10,287,102</u>	<u>30,025,051</u>	<u>12,844,313</u>	<u>72,607,326</u>
Total Liabilities and Fund Balances	<u>\$ 24,571,443</u>	<u>\$ 10,287,102</u>	<u>\$ 31,263,537</u>	<u>\$ 14,574,765</u>	<u>\$ 80,696,847</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balance - governmental funds	\$	72,607,326
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Amounts reported for governmental activities in the statement of net assets are different 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: \$	489,238,421	
Accumulated depreciation:	<u>(101,621,753)</u>	
		387,616,668

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.

Unamortized debt issue costs included in prepaid expense on the statement of net assets are:

Bond Issuance Costs: \$	269,889	
Accumulated Amortization:	<u>(80,970)</u>	
		188,919

Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums at year end are:

Bond Issuance Premium: \$	6,668,327	
Accumulated Amortization:	<u>(1,214,021)</u>	
		(5,454,306)

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 unmaturing interest owing at the end of the period was:

(4,849,346)

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	\$ 281,341,021	
Capital lease obligations	150,981	
Other post-employment benefits	10,865,390	
Compensated absences	<u>1,229,952</u>	
Total		(293,587,344)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:

4,042,394

Total net assets - governmental activities

\$ 160,564,311

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Bond Interest and Redemption Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Revenue Limit Sources					
State Apportionments	\$ 18,700,178			\$ 2,453,040	\$ 21,153,218
Local Sources	69,093,150			8,320,250	77,413,400
Total Revenue Limit	87,793,328			10,773,290	98,566,618
Federal Revenue	12,220,475	\$ 1,384,302		4,659,404	18,264,181
Other State Revenue	15,514,698	101,405	\$ 3,297,865	6,824,620	25,738,588
Other Local Revenue	5,443,910	13,994,362	187,779	4,433,633	24,059,684
Total Revenues	120,972,411	15,480,069	3,485,644	26,690,947	166,629,071
<u>Expenditures</u>					
Certificated Salaries	59,390,924			9,289,118	68,680,042
Classified Salaries	19,663,125			3,897,811	23,560,936
Employee Benefits	19,024,103			2,902,798	21,926,901
Books and Supplies	4,880,397		1,226,015	1,213,761	7,320,173
Services and Other					
Operating Expenditures	11,243,689		150,106	9,437,577	20,831,372
Capital Outlay	1,199,379		3,817,000	15,189,169	20,205,548
Debt Service:					
Principal Retirement		2,990,000			2,990,000
Interest and Fiscal Charges		12,826,070			12,826,070
Other Outgo	(138,260)	8,428		145,325	15,493
Total Expenditures	115,263,357	15,824,498	5,193,121	42,075,559	178,356,535
Excess of Revenues Over (Under) Expenditures	5,709,054	(344,429)	(1,707,477)	(15,384,612)	(11,727,464)
Other Financing Sources (Uses):					
Operating Transfers In (Note 5)	135,000		2,001,552	110,127	2,246,679
Operating Transfers Out (Note 5)	(382,174)		(88)	(2,129,417)	(2,511,679)
Total Other Financing Sources (Uses)	(247,174)	0	2,001,464	(2,019,290)	(265,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	5,461,880	(344,429)	293,987	(17,403,902)	(11,992,464)
Fund Balances - July 1, 2011 (Restated - Note 16)	13,988,980	10,631,531	29,731,064	30,248,215	84,599,790
Fund Balances - June 30, 2012	\$ 19,450,860	\$ 10,287,102	\$ 30,025,051	\$ 12,844,313	\$ 72,607,326

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change (decrease) in fund balances - total governmental funds	\$	(11,992,464)
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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:

	Expenditures for capital outlay:	\$ 21,581,222	
	Depreciation expense:	(10,774,462)	
	Net:		10,806,760

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In 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:	3,126,371
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Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(1,033)
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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:	(1,816,685)
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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:	(42,254)
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Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(2,017,202)
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Amortization of debt issue costs: In governmental funds, debt issue costs are recognized as an Other Financing Use in the period it is incurred. In the government-wide statements, the debt issue costs are amortized over the life of the debt. Amortization of debt issue costs for the period is: (13,495)

Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 286,776

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (568,798)

Total change (decrease) in net assets - governmental activities	<u>\$ (2,232,024)</u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
<u>Assets</u>		
Current assets		
Cash (Note 2)	\$ 96,435	\$ 3,262,127
Accounts Receivable (Note 4)		13,064
Due From Other Funds (Note 5)		802,451
	<hr/>	<hr/>
Total Assets	<u>\$ 96,435</u>	<u>\$ 4,077,642</u>
 <u>Liabilities</u>		
Current Liabilities		
Accounts Payable	\$ 11,504	\$ 35,248
Due To Other Funds (Note 5)	6,725	
	<hr/>	<hr/>
Total Liabilities	<u>\$ 18,229</u>	<u>\$ 35,248</u>
 <u>Net Assets</u>		
Restricted	<u>\$ 78,206</u>	<u>\$ 4,042,394</u>
 Total Net Assets	<u>\$ 78,206</u>	<u>\$ 4,042,394</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
<u>Operating Revenue</u>		
Other Local Revenue	\$ 476,400	
Self-Insurance Premiums		\$ 861,470
Total Operating Revenue	<u>476,400</u>	<u>861,470</u>
<u>Operating Expenses</u>		
Classified Salaries	293,710	
Payments for Benefits		732,653
Payments for Supplies		8,756
Employee Benefits	85,421	
Supplies and Equipment	25,051	
Payments for Insurance		787,436
Other Operating Expenses	<u>2,366</u>	<u>190,011</u>
Total Operating Expenses	<u>406,548</u>	<u>1,718,856</u>
Operating Income (Loss)	<u>69,852</u>	<u>(857,386)</u>
<u>Non-Operating Source (Use)</u>		
Interest and Investment Income	1,044	23,588
Transfers In (Note 5)		400,000
Transfers Out (Note 5)		<u>(135,000)</u>
Total Non-Operating Sources	<u>1,044</u>	<u>288,588</u>
Net Income	70,896	(568,798)
Total Net assets - July 1, 2011	<u>7,310</u>	<u>4,611,192</u>
Total Net Assets - June 30, 2012	<u>\$ 78,206</u>	<u>\$ 4,042,394</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS- PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
Cash flows from operating activities		
Cash received from services	\$ 476,400	
Cash paid for employees	(711,144)	
Cash received from premiums		\$ 854,810
Cash paid for workers' compensation		(732,653)
Cash paid for supplies and services	(28,569)	(8,756)
Cash paid for contract services	(2,366)	
Cash paid for insurance		(977,447)
Net cash flows used by operating activities	<u>(265,679)</u>	<u>(864,046)</u>
Cash flows from investing activities		
Interest income	1,044	23,588
Operating Transfers In		400,000
Operating Transfers Out		(135,000)
Net cash provided by investing activities	<u>1,044</u>	<u>288,588</u>
Net increase (decrease) in cash	(264,635)	(575,458)
Cash, July 1, 2011	361,070	3,837,585
Cash, June 30, 2012	<u><u>\$ 96,435</u></u>	<u><u>\$ 3,262,127</u></u>

Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities

Operating income (loss)	\$ 69,852	\$ (857,386)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Increase in accounts receivable		(834)
Increase in due from other funds		(38,712)
Increase in accounts payable		32,886
Decrease in accounts payable	(3,518)	
Decrease in due to other funds	(332,013)	
Total adjustments	<u>(335,531)</u>	<u>(6,660)</u>
Net cash used by operating activities	<u><u>\$ (265,679)</u></u>	<u><u>\$ (864,046)</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust Scholarship Fund	Agency Fund
<u>Assets</u>		
Cash (Note 2)	\$ 455,828	\$ 932,423
Receivables (Note 4)	7,000	
Total Assets	<u>\$ 462,828</u>	<u>\$ 932,423</u>
<u>Liabilities</u>		
Due to Student Groups		\$ 932,423
Total Liabilities	<u>\$ 0</u>	<u>\$ 932,423</u>
<u>Net Assets</u>		
Held in Trust	\$ 462,828	
Total Net Assets	<u>\$ 462,828</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	<u>Scholarship Fund</u>
<u>Additions</u>	
Donations and Gifts	\$ 397,234
Interest and Investment Earnings	<u>2,172</u>
Total Additions	<u>399,406</u>
<u>Deductions</u>	
Supplies and Equipment	166,468
Scholarships	<u>202,182</u>
Total Deductions	<u>368,650</u>
Change in Net Assets	30,756
Total Net Assets - July 1, 2011	<u>432,072</u>
Total Net Assets - June 30, 2012	<u><u>\$ 462,828</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Napa Valley Unified School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles in the United States of America. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to 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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

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. The Enterprise Fund and the Internal Service Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges to other funds for self-insurance premiums. Operating expenses for internal service funds include the costs of workers' compensation and property and liability self-insurance programs.

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary funds use the accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis 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.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

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

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/expenditures:

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, 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 accounts are organized into major, non-major, proprietary and fiduciary funds as follows:

MAJOR GOVERNMENTAL FUNDS

General Fund is the general operating fund of the District. It is used to account for all financial resources except those require to be accounted for in another fund.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

County School Facilities Fund is used to account for revenue received from state allocations for construction projects and the expenditures made for those projects.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to report the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service and capital outlay, and that comprise a substantial portion of the fund's resources. The District maintains five non-major special revenue funds:

1. Charter Schools Fund is used to present the financial activities of the charter schools in accordance with guidance provided by the California Department of Education.
2. Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
3. Child Development Fund is used to account for resources committed to child development programs maintained by the District.
4. Cafeteria Fund is used to account separately for federal, state, and local resources received and expenditures authorized by the Board to operate the District's food service program.
5. Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District maintains three non-major capital project funds:

1. Building Fund is used to account for the acquisition of major governmental capital facilities and building from the sale of bond proceeds.
2. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)

Capital Projects Funds (Concluded)

3. Special Reserve Fund for Capital Outlay Projects is used for the accumulation of revenue and expenditures for Board designated capital projects.

PROPRIETARY FUNDS:

Proprietary funds encompass an Enterprise Fund, which is intended to be a self-supporting entity and an Internal Service Fund used to account for services rendered on a cost reimbursement basis within the District. The District has two proprietary funds:

1. Enterprise Fund is used to account for revenue and expenses for a fee-based Child Care Program.
2. The Self-Insurance Fund, which accounts for the activities of the workers' compensation and property and liability self-insurance program.

FIDUCIARY FUNDS:

Private Purpose Trust Funds are used to account for assets held by the District as trustee for individuals, private organizations or other governments and are therefore not available to support the District's own programs. The District maintains private-purpose trust funds to account for transactions relating to the Scholarship Fund. The District has elected to combine all private-purpose trust funds into a single fund for financial reporting purposes.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District maintains an agency fund for the ten student body accounts. The amounts reported for student body funds represent the combined totals of all schools within the District.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

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

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. (See Note 3.) The District did not adopt a budget for the Bond Interest and Redemption Fund.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

G. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts have separate, unlimited coverage by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012 as provided by Section 343 of the Dodd-Frank Act. Beginning January 1, 2013, the FDIC will insure the accounts in accordance with 12.C.F.R. Part 330, which generally provides each depositor up to \$250,000 in coverage.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the 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 deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

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

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's central warehouse and cafeteria inventory valuation is First-in-First-out (FIFO).

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefited period. The District has chosen to report the expenditures in the benefited period. Bond issuance costs are recorded as prepaid expenses on the Government-wide Statement of Net Assets and amortized over the life of the bond issue.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Unamortized bond premium is included in deferred revenue on the government-wide financial statements, Statement of Net Assets.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

5. Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

7. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

7. Net Assets (Concluded)

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

8. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

9. Fund Equity

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

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, or the Superintendent or the designee of the District.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Continued)

Fund Balances

The District's fund balances at June 30, 2012 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	County School Facilities Fund	Other Governmental Funds	Total
Nonspendable:					
Revolving Fund	\$ 25,000				\$ 25,000
Stores Inventory	268,208			\$ 74,299	342,507
Prepaid Expenditures	1,437,548			5,173	1,442,721
Total Nonspendable Fund Balance	1,730,756			79,472	1,810,228
Restricted For:					
Legally Restricted Categorical Funding	3,231,354				3,231,354
Debt Service		\$ 10,287,102			10,287,102
Section 65970-65981 and/or 66006			\$ 25,716,242	818,053	26,534,295
Total Restricted Fund Balance	3,231,354	10,287,102	25,716,242	818,053	40,052,751
Committed For:					
Future Deferred Maintenance Projects				1,025,627	1,025,627
Total Committed Fund Balance	0	0	0	1,025,627	1,025,627
Assigned For:					
Purpose of Fund			4,308,809	4,984,264	9,293,073
Charter Lottery Reserves				261,240	261,240
Child Development Program				101,600	101,600
Adult Education Program				1,817,833	1,817,833
Capital Projects				3,756,224	3,756,224
Total Assigned Fund Balance	0	0	4,308,809	10,921,161	15,229,970
Unassigned:					
Reserve for Economic Uncertainties	3,471,647				3,471,647
Other Unassigned	11,017,103				11,017,103
Total Unassigned Fund Balance	14,488,750	0	0	0	14,488,750
Total Fund Balances	\$ 19,450,860	\$ 10,287,102	\$ 30,025,051	\$ 12,844,313	\$ 72,607,326

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Concluded)

Fund Balance Policy (Concluded)

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

10. Revenue Limit/Property Tax

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

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

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

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

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

10. Revenue Limit/Property Tax (Concluded)

The District's Base Revenue Limit is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. New GASB Accounting Standard Adoption

In November 2010, the GASB issued Statement No. 61, *The financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement also clarifies the reporting of equity interest in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

NOTE 2 - CASH AND INVESTMENTS

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2012:

<u>Government-Wide Statement of Net Assets</u>			<u>Fiduciary Funds Statement of Net Assets</u>		<u>Total</u>
<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>		
<u>\$57,852,020</u>	<u>\$96,435</u>	<u>\$3,262,127</u>	<u>\$61,210,582</u>	<u>\$1,388,251</u>	<u>\$62,598,833</u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

A. Summary of Cash and Investments (Concluded)

The District had the following cash and investments at June 30, 2012:

	Fair Value	Carrying Amount	Credit Quality Rating
Cash on Hand and in Banks	\$ 1,746,805	\$ 1,746,805	Not Rated
Cash in Revolving Fund	25,000	25,000	Not Rated
Cash in County Treasury	60,789,486	60,712,028	Not Rated
Cash with Fiscal Agent: Claim Management Inc. Trust Account	115,000	115,000	Not Rated
Total Cash	<u>\$ 62,676,291</u>	<u>\$ 62,598,833</u>	

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts have separate, unlimited coverage by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012 as provided by Section 343 of the Dodd-Frank Act. Beginning January 1, 2013, the FDIC will insure the accounts in accordance with 12.C.F.R. Part 330, which generally provides each depositor up to \$250,000 in coverage. These amounts are held within various financial institutions. As of June 30, 2012 the carrying amount of the District's accounts was \$1,772,805, of which \$272,379 was not collateralized or insured with securities held by the pledging financial institution in the District's name as discussed in the following.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices (Concluded)

Cash in Commercial Banks (Concluded)

The California Government code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the District cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

Cash with Fiscal Agent

Cash with fiscal agent represents the amount on deposit with Claim Management Inc. for the District's Self-Insurance program.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$426,829,596. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$427,374,154. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

C. Risk Disclosures (Concluded)

At June 30, 2012 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	<u>\$60,789,486</u>	<u>\$31,160,690</u>	<u>\$21,932,847</u>	<u>\$7,695,949</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual governmental funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Classified Salaries	\$ 319,311
Employee Benefits	91,838
Other Outgo	40,669
Bond Interest and Redemption Fund	
Debt Service-Principal Retirement	2,990,000
Debt Service-Interest	12,826,070
Other Outgo	8,428
County School Facilities Fund	
Transfers Out	88
Non-Major Governmental Funds:	
Charter School Fund	
Contract Services	1,349
Adult Education Fund	
Classified Salaries	33,440
Employee Benefits	22,165
Child Development Fund	
Certificated Salaries	5,096
Employee Benefits	3,993
Contract Services	10,486
Other Outgo	941
Cafeteria Fund	
Classified Salaries	1,933,020
Employee Benefits	583,101
Contract Services	2,998,072
Deferred Maintenance Fund	
Food and Supplies	10,551
Contract Services	74,537
Special Reserve Fund for Capital Outlay Projects	
Food and Supplies	76,031

The District incurred unanticipated expenditures in the funds described above for which the budgets were not revised. The Board did not adopt a budget for the Bond Interest and Redemption Fund or the Cafeteria Fund because they are accounted for by the Napa County Treasurer's office and Sodexo America, respectively.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consist of the following:

	General Fund	Bond Interest and Redemption Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds	Self Insurance Fund
Federal Government						
Categorical Aid Programs	\$ 1,746,662			\$ 282,181	\$ 2,028,843	
State Government						
Revenue Limit	8,981,453			965,472	9,946,925	
Categorical Aid Programs	1,966,439				1,966,439	
Lottery	309,979			40,996	350,975	
Other	600,433			1,484,460	2,084,893	
Total State Government	11,858,304			2,490,928	14,349,232	
Local Government	1,928,747	\$ 193,342	\$ 884,800	64,565	3,071,454	
Miscellaneous	710,975			47,626	758,601	\$ 13,064
Total Fund Accounts	16,244,688	193,342	884,800	2,885,300	20,208,130	13,064
Due from Business-Type Activity	6,725				6,725	
Total Entity-Wide Accounts Receivable	\$ 16,251,413	\$ 193,342	\$ 884,800	\$ 2,885,300	\$ 20,214,855	\$ 13,064

NOTE 5 - INTERFUND TRANSACTIONS

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

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2012 are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	\$ 176,914	\$ 1,198,151
County School Facilities Fund	4,401	92
Non-Major Governmental Funds:		
Charter School Fund	669,789	197,741
Adult Education Fund		123,893
Child Development Fund	109	46,550
Building Fund	256	4,737
Special Reserve Fund for Capital Outlay Projects		76,031
Total Governmental Funds	851,469	1,647,195
Proprietary Fund:		
Self-Insurance Fund	802,451	
Enterprise Fund		6,725
Total	<u>\$ 1,653,920</u>	<u>\$ 1,653,920</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2011-2012 fiscal year were as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 135,000	\$ 382,174
County School Facilities Fund	2,001,552	88
Non-Major Governmental Funds:		
Charter School Fund		110,729
Child Development Fund	(17,826)	
Building Fund	17,224	2,018,688
Special Reserve Fund for Capital Outlay Projects	110,729	
Total Governmental Funds	2,246,679	2,511,679
Proprietary Fund:		
Self-Insurance Fund	400,000	135,000
Total	<u>\$ 2,646,679</u>	<u>\$ 2,646,679</u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers (Concluded)

Transfer \$400,000 from the General Fund to the Self-Insurance Fund to cover claim expenses.

Transfer \$88 from the County School Facilities Fund to the Building Fund to correct the fund balance in the Building Fund from prior year activity.

Transfer \$17,826 from the Child Development Fund to the Self-Insurance Fund to cover claim expenses.

Transfer \$110,729 from the Charter School Fund to the Special Reserve Fund for Capital Outlay Projects to reimburse Napa Valley Unified School District for relocatable costs.

Transfer \$135,000 from the Self-Insurance Fund to the General Fund to reimburse for losses incurred and paid out of the General Fund.

Transfer \$2,001,552 from the Building Fund to the County School Facilities Fund for correction of expenditures to the appropriate fund.

Transfer \$17,136 from the Building Fund to the Building Fund (inter resource) to correct each resource and fund to balance to actual.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2012, is shown below:

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 12,440,826			\$ 12,440,826
Work in progress	20,836,564	\$ 12,600,355	\$ 28,579,888	4,857,031
Total capital assets, not being depreciated	33,277,390	12,600,355	28,579,888	17,297,857
Capital assets being depreciated:				
Buildings	364,292,621	30,926,003		395,218,624
Improvements of sites	49,744,174	5,172,160		54,916,334
Equipment	20,371,614	1,462,592	28,600	21,805,606
Total capital assets, being depreciated	434,408,409	37,560,755	28,600	471,940,564
Less accumulated depreciation for:				
Buildings	64,987,370	8,098,718		73,086,088
Improvements of sites	10,015,680	1,952,472		11,968,152
Equipment	15,871,808	723,272	27,567	16,567,513
Total accumulated depreciation	90,874,858	10,774,462	27,567	101,621,753
Total capital assets, being depreciated, net	343,533,551	26,786,293	1,033	370,318,811
Governmental activities capital assets, net	\$ 376,810,941	\$ 39,386,648	\$ 28,580,921	\$ 387,616,668

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$	8,619,569
School site administration		430,977
Home to school transportation		883,507
Food services		43,098
All other general administration		797,311
Total	\$	<u>10,774,462</u>

NOTE 7 - GENERAL OBLIGATION BONDS

The Bonds are general obligations of the District. The Board of Supervisors of Napa County is empowered and is obligated to levy ad valorem taxes, without limitation of rate or amount, upon all property within the District subject to taxation by the District for the payment of interest on and principal of the Bonds when due.

The District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advance refunding met the requirements of an in-substance debt defeasance and therefore the deferred debt removed as a liability from the District's government-wide financial statements.

The outstanding bonded debt of Napa Valley Unified School District at June 30, 2012 is:

General Obligation Bonds

Series	Maturity Date August 1	Interest Rate	Original Issue	Outstanding July 1, 2011	Redeemed Current Year	Outstanding July 30, 2012
2001	2011	5.0-5.6%	\$ 4,700,000	\$ 60,000	\$ 60,000	
2003	2027	2.0-5.0%	35,000,000	24,420,000	855,000	\$ 23,565,000
2004 Refunding	2022	2.0-5.0%	8,325,000	6,565,000	385,000	6,180,000
2005	2029	3.0-5.0%	25,000,000	22,250,000		22,250,000
2006	2030	4.0-5.0%	35,000,000	32,255,000	1,010,000	31,245,000
2007	2046	4.0-7.0%	90,000,000	73,850,000	120,000	73,730,000
2007 Refunding	2025	4.0-4.25%	12,230,000	11,550,000	310,000	11,240,000
2009A	2029	4.85-7.0%	8,485,000	8,485,000	250,000	8,235,000
2009B	2044	8.10%	21,515,000	21,515,000		21,515,000
2009C	2049	6.36-6.85%	21,877,730	21,877,730		21,877,730
2010A	2033	5.78-6.29%	7,122,270	7,122,270		7,122,270
2010B	2043	6.51%	34,000,000	34,000,000		34,000,000
2010 Refunding	2024	4.0-5.0%	14,405,000	14,405,000		14,405,000
Total			<u>\$ 317,660,000</u>	<u>\$ 278,355,000</u>	<u>\$ 2,990,000</u>	<u>\$ 275,365,000</u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

Accreted Interest

Series	Maturity Date August 1	Interest Rate	Outstanding July 1, 2011	Accreted Interest Current Year	Payments Current Year	Outstanding July 30, 2012
2009C	2049	6.36-6.85%	\$ 2,551,222	\$ 1,689,383		\$ 4,240,605
2010A	2033	5.78-6.29%	1,097,510	637,906		1,735,416
Total			\$ 3,648,732	\$ 2,327,289	\$ 0	\$ 5,976,021

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2012, are as follows:

Year Ended June 30	Principal	Interest	Total
2013	\$ 3,175,000	\$ 12,692,970	\$ 15,867,970
2014	3,365,000	12,559,086	15,924,086
2015	4,020,000	12,407,241	16,427,241
2016	4,605,000	12,227,648	16,832,648
2017	5,290,000	12,010,773	17,300,773
2018-2022	37,085,000	55,629,290	92,714,290
2023-2027	53,231,437	50,377,362	103,608,799
2028-2032	42,509,541	60,795,358	103,304,899
2033-2037	25,048,780	62,631,081	87,679,861
2038-2042	49,136,576	53,364,385	102,500,961
2042-2047	46,179,232	39,693,233	85,872,465
2048-2050	1,719,434	18,010,132	19,729,566
Totals	\$ 275,365,000	\$ 402,398,559	\$ 677,763,559

NOTE 8 - CAPITAL LEASE OBLIGATIONS

The District leases computers under lease-purchase agreements, which provide for title to pass upon purchasing the computers for \$1.00 at the end of the lease period. Future lease payments are as follows:

Year Ended June 30	Lease Payment
2013	\$ 83,133
2014	83,133
Total payments	166,266
Less amounts representing interest	15,285
Present value of net minimum lease payments	\$ 150,981

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL LEASE OBLIGATIONS (CONCLUDED)

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

Benefit Plan Provisions

A Certificated retiree (including Certificated Management and Certificated Pupil Services) will be eligible for a District contribution of up to \$346.88 per month towards retiree medical premiums under one of the California Public Employees Medical and Hospital Care Act (PEMHCA) operations if the retiree has attained age 55 and has completed at least 10 years of service with the District. A Classified retiree (including Classified Management, Classified Charter, Confidential, and Supervisory) will be eligible for this benefit after the later of age 50 and 10 years of service, provided age plus years of service equals at least 65.

The District provides continued coverage for eligible retirees until age 65 or the death of the retiree, if earlier. Coverage for spouses and eligible dependent children may be provided by the retiree paying the required additional premium. Surviving spouse and dependent coverage is provided if the surviving spouse pays the premium for such coverage.

In addition to the medical premiums described above, the District will pay the single retiree Delta Dental premium for non-Certificated retiree until age 65, and up to the two-party dental premium for Certificated retirees until age 65.

Part-time employees and retirees are covered under the same arrangement as full-time employees, with a pro-rata District contribution for full-time equivalency less than 1.0. A retiree's full-time equivalency is averaged over the last 10 years of employment (Certificated) or the last 5 years of employment (Classified). Dental benefits are not pro-rated directly, and the remaining amount available under the cap is applied to the retiree's medical premium under PEMHCA.

Three grandfathered retirees are receiving lifetime District-paid premiums.

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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 Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 3,137,733
Interest on net OPEB obligation	442,409
Adjustment to annual required contribution	<u>(575,589)</u>
Annual OPEB cost (expense)	3,004,553
Contributions made	<u>(987,351)</u>
Increase in net OPEB obligation	2,017,202
Net OPEB obligation – beginning of year	<u>8,848,188</u>
Net OPEB obligation – end of year	<u>\$10,865,390</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2012, 2011 and 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$3,316,140	27.57%	\$ 6,640,689
June 30, 2011	\$3,037,779	27.33%	\$ 8,848,188
June 30, 2012	\$3,004,553	32.86%	\$10,865,390

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$25.5 million, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$96 million, and the ratio of the UAAL to the covered payroll was 26.6 percent.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

Funded Status and Funding Progress (Concluded)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the 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 funded status of the plan as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$25,495,236
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$25,495,236</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%

Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses). An inflation rate of 3% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was twenty-nine years.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM DEBT

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
General Obligation Bonds	\$ 278,355,000		\$ 2,990,000	\$ 275,365,000	\$ 3,175,000
Accreted Interest	3,648,732	\$ 2,327,289		5,976,021	
Capital Lease Obligations	287,352		136,371	150,981	73,052
Other Post-employment Benefits	8,848,188	3,004,553	987,351	10,865,390	
Compensated Absences	1,187,698	42,254		1,229,952	1,229,952
Totals	<u>\$ 292,326,970</u>	<u>\$ 5,374,096</u>	<u>\$ 4,113,722</u>	<u>\$ 293,587,344</u>	<u>\$ 4,478,004</u>

The other post-employment benefits, compensated absences and capital lease obligations will be paid by the General Fund. Payments on the general obligation bonds, which includes accreted interest, will be paid by the Bond Interest and Redemption Fund from local revenues.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement 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 California Public Employees' Retirement System (CalPERS).

A. State Teachers' Retirement System (STRS)

Plan Description. The Napa Valley 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, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the Napa Valley 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 2011-2012 was 8.25% of annual payroll.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

Funding Policy (Concluded). The contribution requirements of the plan members are established by state statute. The Napa Valley Unified School District's contributions to STRS for the fiscal year ending June 30, 2012, 2011, and 2010 were \$5,505,320, \$5,704,346 and \$6,048,745, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Napa Valley 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 Q Street, Room 1820, Sacramento, CA 95811.

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the Napa Valley 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 2011-2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by State statute. The Napa Valley Unified School District's contributions to CalPERS for the fiscal year ending June 30, 2012, 2011 and 2010 were \$2,493,688, \$2,593,275 and \$2,331,203, respectively and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 12 - STUDENT BODY FUND

The Student Body Funds often engage in activities which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

B. State and Federal Allowance, Award, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, the District contracted with St. Paul/Traveler's Excess and Surplus Insurance Company, Genesis Insurance Company and the Schools Insurance Trust-Joint Purchase Arrangement Insurance for property and liability insurance coverage and Hartford Crime Shield Insurance Company for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2011-12, the District continued to utilize the services of Malloy, Imrie & Vasconi Insurance Services, LLC to administer the excess workers' compensation program. The District purchases coverage through the Republic Indemnity Co. of America, with an indemnity cap of \$50,000,000. The District maintains \$600,000 in self-insurance retention and in 2011-12, funded the coverage at \$2.29 per \$100 of salary expense.

NOTE 15 - RESTATEMENT OF NET ASSETS

The amount previously reported as net assets at June 30, 2011 on the Government-Wide Statement of Net Assets has been restated due to the overstatement of accounts payable in the General Fund and understatement of deferred revenue in the Cafeteria Fund. The effect of these restatements are as follows:

	Government-Wide Financial Statements
Net Assets, June 30, 2011 as originally reported	<u>\$ 162,578,459</u>
Understatement of Deferred Revenue	(33,442)
Overstatement of Accounts Payable	<u>251,318</u>
Net Adjustments	<u>217,876</u>
Net Assets, June 30, 2011 as restated	<u><u>\$ 162,796,335</u></u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - RESTATEMENT OF FUND BALANCES

The amounts reported as June 30, 2011 fund balances for the General Fund and Cafeteria Fund have been restated to correct an overstatement of interfund transfers, accounts payable and understatement of deferred revenue. The effect of the restatement is as follows:

	<u>General Fund</u>	<u>Cafeteria Fund</u>
Fund Balances, June 30, 2011, as originally reported	\$ 13,533,996	\$ 324,586
Overstatement of Due From Other Funds	(67,873)	(271,539)
Overstatement of Due To Other Funds	271,539	67,873
Understatement of Deferred Revenue		(33,442)
Overstatement of Accounts Payable	251,318	
Net Adjustments	<u>454,984</u>	<u>(237,108)</u>
Fund Balances, June 30, 2011, as restated	<u>\$ 13,988,980</u>	<u>\$ 87,478</u>

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2012, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

NAPA VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (GAAP Basis)	
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionments	\$ 18,178,990	\$ 18,234,911	\$ 18,700,178	\$ 465,267
Local Sources	69,461,899	69,221,881	69,093,150	(128,731)
Total Revenue Limit	87,640,889	87,456,792	87,793,328	336,536
Federal Revenue	11,401,589	14,683,449	12,220,475	(2,462,974)
Other State Revenue	14,010,003	14,964,596	15,514,698	550,102
Other Local Revenue	1,045,302	5,057,182	5,443,910	386,728
Total Revenues	114,097,783	122,162,019	120,972,411	(1,189,608)
<u>Expenditures</u>				
Certificated Salaries	57,740,961	59,751,811	59,390,924	360,887
Classified Salaries	19,784,135	19,343,814	19,663,125	(319,311)
Employee Benefits	19,872,477	18,932,265	19,024,103	(91,838)
Books and Supplies	5,055,454	8,633,335	4,880,397	3,752,938
Services and Other				
Operating Expenditures	9,438,697	13,071,328	11,243,689	1,827,639
Capital Outlay	155,173	1,208,182	1,199,379	8,803
Other Outgo	(79,805)	(178,929)	(138,260)	(40,669)
Total Expenditures	111,967,092	120,761,806	115,263,357	5,498,449
Excess of Revenues Over (Under) Expenditures	2,130,691	1,400,213	5,709,054	4,308,841
Other Financing Sources (Uses):				
Operating Transfers In		135,000	135,000	
Operating Transfers Out	(400,000)	(400,000)	(382,174)	17,826
Total Other Financing Sources (Uses)	(400,000)	(265,000)	(247,174)	17,826
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,730,691	1,135,213	5,461,880	4,326,667
Fund Balances - July 1, 2011 (Restated - Note 16)	8,412,609	13,988,980	13,988,980	0
Fund Balances - June 30, 2012	\$ 10,143,300	\$ 15,124,193	\$ 19,450,860	\$ 4,326,667

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress							
Fiscal Year Ended	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
6/30/10	July 1, 2010	\$ -	\$ 25,495,236	\$ 25,495,236	0%	\$ 22,875,164	111%
6/30/11	July 1, 2010	\$ -	\$ 25,495,236	\$ 25,495,236	0%	\$ 22,815,034	112%
6/30/12	July 1, 2010	\$ -	\$ 25,495,236	\$ 25,495,236	0%	\$ 21,921,626	116%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B. Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NAPA VALLEY, CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

ORGANIZATION

The Napa Valley Unified School District was established on July 1, 1965 and encompasses an area of approximately 259 square miles in the County of Napa, California. There was no changes in the boundaries of the District during the current year. The District operates nineteen elementary schools, four middle schools, four senior high schools and four charter schools. The District also operates a continuation high school, an adult education school, and three community day schools.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term expires</u>
Jose Hurtado	President	December 2012
Frances Ortiz-Chavez	Vice-President	December 2012
Joe Schunk	Clerk	December 2012
Alan Murray	Member	December 2012
Robb Felder	Member	December 2014
Thomas Kensock	Member	December 2014
Jacqueline Chilton	Member	December 2014

ADMINISTRATION

Patrick J. Sweeney
Superintendent

J. Wade Roach
Assistant Superintendent
Business Services

Ashley Halliday
Assistant Superintendent
Human Resources

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Kindergarten	997	1,000
First through Third	2,981	2,983
Fourth through Sixth	2,993	2,993
Seventh and Eighth	2,309	2,310
Opportunity Schools	41	41
Home and Hospital	8	9
Special Education	224	222
Extended year	<u>15</u>	<u>15</u>
Subtotal Elementary	<u>9,568</u>	<u>9,573</u>
<u>Secondary</u>		
Ninth through Twelfth	5,003	4,967
Continuation Education	170	170
Home and Hospital	12	13
Special Education	239	238
Extended Year	11	11
Community Day School	<u>12</u>	<u>13</u>
Subtotal Secondary	<u>5,447</u>	<u>5,412</u>
Totals	<u>15,015</u>	<u>14,985</u>
<u>Charter Schools</u>		
	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Residents</u>		
Kindergarten	292	292
First through Third	833	832
Fourth through Sixth	723	722
Seventh and Eighth	<u>229</u>	<u>230</u>
Subtotal Residents	<u>2,077</u>	<u>2,076</u>
<u>Non-Residents</u>		
Kindergarten	1	2
First through Third	9	9
Fourth through Sixth	<u>11</u>	<u>11</u>
Subtotal Non-Residents	<u>21</u>	<u>22</u>
Total Charter Schools	<u>2,098</u>	<u>2,098</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONCLUDED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Amounts include attendance reported by Napa Valley Language Academy, River Middle School, Phillips Charter School, and Shearer Charter School, block grant funded charter schools. The attendance reported for Charter School's does not include Stone Bridge Charter School.

All of the above ADA represents classroom-based attendance.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grade Level	1986-1987	1986-1987	1982-1983	1982-1983	2011-2012	Number of	Status
	Minutes	Minutes Requirement As Reduced	Actual Minutes	Actual Minutes As Reduced	Actual Minutes	Days Traditional Calendar	
Kindergarten	36,000	35,000	32,040	31,150	44,305	175	In Compliance
Grade 1	50,400	49,000	47,880	45,257	52,175	175	In Compliance
Grade 2	50,400	49,000	47,880	45,257	52,175	175	In Compliance
Grade 3	50,400	49,000	47,880	45,257	52,175	175	In Compliance
Grade 4	54,000	52,500	50,520	47,752	52,580	175	In Compliance
Grade 5	54,000	52,500	50,520	47,752	52,580	175	In Compliance
Grade 6	54,000	52,500	50,520	47,752	55,834	175	In Compliance
Grade 7	54,000	52,500	50,520	47,752	55,834	175	In Compliance
Grade 8	54,000	52,500	50,520	47,752	55,834	175	In Compliance
Grade 9	64,800	63,000	61,940	58,547	63,228	175	In Compliance
Grade 10	64,800	63,000	61,940	58,547	63,228	175	In Compliance
Grade 11	64,800	63,000	61,940	58,547	63,228	175	In Compliance
Grade 12	64,800	63,000	61,940	58,547	63,228	175	In Compliance

This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-1983 actual minutes or the 1986-1987 requirements, whichever is greater, as required by *Education Code* Section 46201.

Commencing with the 2009-2010 school year and continuing through the 2014-2015 school year, a school district may reduce the equivalent of up to five days of instruction or the equivalent instructional minutes without incurring penalties, as described in *Education Code* Section 46201.2.

NAPA LANGUAGE ACADEMY

Grade Level	1986-1987	1986-1987	2011-2012	Number of	Status
	Minutes Requirement	Minutes Requirement As Reduced	Actual Minutes	Days Traditional Calendar	
Kindergarten	36,000	34,971	61,455	175	In Compliance
Grade 1	50,400	48,960	52,150	175	In Compliance
Grade 2	50,400	48,960	52,150	175	In Compliance
Grade 3	50,400	48,960	52,150	175	In Compliance
Grade 4	54,000	52,457	53,820	175	In Compliance
Grade 5	54,000	52,457	53,820	175	In Compliance
Grade 6	54,000	52,457	64,305	175	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED (CONCLUDED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PHILLIPS CHARTER SCHOOL

Grade Level	1986-1987 Minutes Requirement	1986-1987 Minutes Requirement As Reduced	2011-2012 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	34,971	51,120	175	In Compliance
Grade 1	50,400	48,960	59,460	175	In Compliance
Grade 2	50,400	48,960	59,460	175	In Compliance
Grade 3	50,400	48,960	59,460	175	In Compliance
Grade 4	54,000	52,457	59,460	175	In Compliance
Grade 5	54,000	52,457	59,460	175	In Compliance
Grade 6	54,000	52,457	69,135	175	In Compliance

RIVER MIDDLE SCHOOL

Grade Level	1986-1987 Minutes Requirement	1986-1987 Minutes Requirement As Reduced	2011-2012 Actual Minutes	Number of Days Traditional Calendar	Status
Grade 6	54,000	52,457	58,974	175	In Compliance
Grade 7	54,000	52,457	58,974	175	In Compliance
Grade 8	54,000	52,457	58,974	175	In Compliance

SHEARER CHARTER SCHOOL

Grade Level	1986-1987 Minutes Requirement	1986-1987 Minutes Requirement As Reduced	2011-2012 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	34,971	54,475	175	In Compliance
Grade 1	50,400	48,960	53,250	175	In Compliance
Grade 2	50,400	48,960	53,250	175	In Compliance
Grade 3	50,400	48,960	53,250	175	In Compliance
Grade 4	54,000	52,457	53,250	175	In Compliance
Grade 5	54,000	52,457	53,250	175	In Compliance

For fiscal years 2009-2010 through 2012-2013, the minimum instructional minutes offered by the Charter Schools for each grade level has been reduced pursuant to the provisions of subdivision (a)(3) of Education Code Section 46201.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The District operated four Charter Schools during 2011-2012, Napa Valley Language Academy, River Middle School, Phillips Charter School, and Shearer Charter School.

The financial activities of the Napa Valley Language Academy, River Middle School, Phillips Charter School and Shearer Charter School are presented in the Charter Schools Special Revenue Fund of the financial statements.

During 2005-06 the District granted a charter for a period of 5 years to Stone Bridge Charter School. The Charter School is independent of the Napa Valley Unified School District and their financial activities are not included in these financial statements.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Passed through the California Department of Education (CDE):			
Basic School Breakfast	10.553 *	13525	\$ 117,758
National School Lunch	10.555 *	13524	2,668,167
Especially Needy School Breakfast	10.533 *	13526	804,487
Meal Supplements	10.556	13528	2,709
Children's Center Meals	10.558	13529	6,881
Total U.S Department of Agriculture			<u>3,600,002</u>
US. Department of Education:			
Passed through CDE:			
NCLB - Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	1,946,550
NCLB - Title I, Part B, (3) Even Start Family Literacy Program	84.213	14331	(8,555)
NCLB - ARRA, Title I, Part A, Basic Grants Low-Income & Neglected	84.389	15005	68,720
Education Jobs Funds	84.410 **	25152	3,342,321
Special Education - Basic Local Assistance Entitlement	84.027	13379	3,011,953
Special Education - IDEA, Local Assistance, Part B, Section 611, Private Schools ISPs	84.027	10115	60,132
Special Education - ARRA IDEA, Part B, Section 611, Basic Local Assistance	84.391	15003	474,079
Carl D. Perkins Career and Technical Education Secondary Section 131	84.048	14894	143,562
Adult Education: Adult Basic Education & ESL	84.002A **	14508	160,641
Adult Education: Adult Secondary Education	84.002 **	13978	54,232
Adult Education: English Literacy & Civics Education	84.002A **	14109	143,783
NCLB - Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	451,454
NCLB - Title II, Part A, Administrator Training	84.367	14344	5,363
NCLB - ARRA Title II, Part D, Enhancing Education Through Technology	84.386	15019	20,268
NCLB - ARRA Title II, Part D, Enhancing Education Through Competitive Grants (EETT)	84.386	15126	73,609
NCLB - Title III, Limited English Proficient (LEP) Student Program	84.365 **	14346	365,850
Indian Education	84.060	10011	69,185
Magnet School Assistance Programs	84.165A	N/A	2,101,433
Smaller Learning Communities	84.215L **	N/A	459,057
Federal Advance Placement Fees	N/A	N/A	7,426
Total U.S Department of Education			<u>12,951,063</u>
U. S. Department of Health and Human Services			
Medi-Cal Billing Option	93.778	10013	190,664
Medi-Cal Administrative Activities	93.778	10060	138,150
Total U.S. Department of Health and Human Services			<u>328,814</u>
Total Federal Programs			<u>\$ 16,879,879</u>

* The amounts present do not included fair market value of all commodities received of \$321,248.

** Programs considered major federal programs for the year ending June 30, 2012.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUALS FINANCIAL
REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Self Insurance Fund
June 30, 2012, Annual Unaudited Actual Financial Report Fund Balance	\$ 4,107,122
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:	
Overstatement of Cash in Bank	(64,728)
Net Adjustments and Reclassifications	(64,728)
June 30, 2012, Audited Financial Statement Fund Balance	\$ 4,042,394

Auditor's Comment

The audited financial statements for all other funds were in agreement with the Unaudited Actuals Financial Report for the year ended June 30, 2012.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget 2012-2013	2011-2012	(Restated) 2010-2011	2009-2010
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 111,257,747	\$ 121,107,411	\$ 120,902,618	\$ 115,440,715
Expenditures	118,458,128	115,263,357	118,785,979	122,371,403
Other Uses and Transfers Out	0	382,174	857,781	1,129,813
Total Outgo	118,458,128	115,645,531	119,643,760	123,501,216
Change in Fund Balance (Deficit)	(7,200,381)	5,461,880	1,258,858	(8,060,501)
Ending Fund Balance	\$ 14,403,110	\$ 19,450,860	\$ 13,988,980	\$ 12,275,138
Available Reserves	\$ 6,506,028	\$ 14,488,750	\$ 3,615,000	\$ 6,210,339
Reserve for Economic Uncertainties	\$ 3,554,044	\$ 3,471,647	\$ 3,615,000	\$ 3,718,624
Unassigned Fund Balance	\$ 2,951,984	\$ 11,017,103	\$ 0	\$ 2,491,715
Available Reserves as a Percentage of Total Outgo	5.5%	12.5%	3.0%	5.0%
Total Long-Term Debt	\$ 289,109,340	\$ 293,587,344	\$ 292,326,970	\$ 291,161,735
Average Daily Attendance at P-2 (excluding Adult Education and Charter Schools)	15,041	15,015	14,805	14,747

The General Fund balance has decreased by \$1,339,763 over the past three years. For a district this size, the state recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses. Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

Total long-term debt has increased by \$2,425,609 over the past two years as a result of the sale of general obligation bonds.

Total average daily attendance has increased 268 over the past two years.

The amounts reported as Budget 2012-2013 are presented for additional analysis and have not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2012

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
<u>Assets</u>				
Cash	\$ 1,503,854	\$ 1,047,700	\$ 291,326	\$ 522,379
Accounts Receivable	1,735,100	1,002,835	80,849	66,516
Due From Other Funds	669,789		109	
Stores Inventory				74,299
Prepaid Expenditures	5,173			
Total Assets	<u>\$ 3,913,916</u>	<u>\$ 2,050,535</u>	<u>\$ 372,284</u>	<u>\$ 663,194</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 62,739	\$ 97,674	\$ 52,951	\$ 373,294
Deferred Revenue				41,375
Due to Other Funds	197,741	123,893	46,550	
Total Liabilities	<u>260,480</u>	<u>221,567</u>	<u>99,501</u>	<u>414,669</u>
Fund Balances:				
Nonspendable	5,173			74,299
Restricted	461,509	11,135	171,183	174,226
Committed				
Assigned	3,186,754	1,817,833	101,600	
Total Fund Balances	<u>3,653,436</u>	<u>1,828,968</u>	<u>272,783</u>	<u>248,525</u>
Total Liabilities and Fund Balances	<u>\$ 3,913,916</u>	<u>\$ 2,050,535</u>	<u>\$ 372,284</u>	<u>\$ 663,194</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ 1,036,480	\$ 38,134	\$ 2,103,786	\$ 4,396,180	\$ 10,939,839
	256			2,885,300
				670,154
				74,299
				5,173
<u>\$ 1,036,480</u>	<u>\$ 38,390</u>	<u>\$ 2,103,786</u>	<u>\$ 4,396,180</u>	<u>\$ 14,574,765</u>
\$ 10,853	\$ 33,653	\$ 45,036	\$ 563,925	\$ 1,240,125
	4,737		76,031	41,375
				448,952
<u>10,853</u>	<u>38,390</u>	<u>45,036</u>	<u>639,956</u>	<u>1,730,452</u>
				79,472
				818,053
1,025,627				1,025,627
		2,058,750	3,756,224	10,921,161
<u>1,025,627</u>	<u>0</u>	<u>2,058,750</u>	<u>3,756,224</u>	<u>12,844,313</u>
<u>\$ 1,036,480</u>	<u>\$ 38,390</u>	<u>\$ 2,103,786</u>	<u>\$ 4,396,180</u>	<u>\$ 14,574,765</u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionments	\$ 2,453,040			
Local Sources	<u>8,320,250</u>			
Total Revenue Limit	10,773,290			
Federal Revenue	648,005	\$ 411,397	\$ 6,881	\$ 3,593,121
Other State Revenue	3,377,690	2,090,831	486,954	318,602
Other Local Revenue	<u>331,299</u>	<u>338,653</u>	<u>259,738</u>	<u>1,763,517</u>
Total Revenues	<u>15,130,284</u>	<u>2,840,881</u>	<u>753,573</u>	<u>5,675,240</u>
<u>Expenditures</u>				
Certificated Salaries	7,701,250	1,450,770	137,098	
Classified Salaries	1,141,045	453,754	362,507	1,933,020
Employee Benefits	1,837,771	350,021	131,095	583,101
Books and Supplies	366,900	150,979	65,373	
Services and Other				
Operating Expenditures	3,245,513	274,421	34,311	2,998,072
Capital Outlay	7,917	9,674		
Other Outgo	<u>31,125</u>	<u>88,249</u>	<u>25,951</u>	
Total Expenditures	<u>14,331,521</u>	<u>2,777,868</u>	<u>756,335</u>	<u>5,514,193</u>
Excess of Revenues Over (Under) Expenditures	<u>798,763</u>	<u>63,013</u>	<u>(2,762)</u>	<u>161,047</u>
Other Financing Sources (Uses):				
Operating Transfers In			(17,826)	
Operating Transfers Out	<u>(110,729)</u>			
Total Other Financing Sources (Uses)	<u>(110,729)</u>	<u>0</u>	<u>(17,826)</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	688,034	63,013	(20,588)	161,047
Fund Balances - July 1, 2011 (Restated - Note 16)	<u>2,965,402</u>	<u>1,765,955</u>	<u>293,371</u>	<u>87,478</u>
Fund Balances - June 30, 2012	<u>\$ 3,653,436</u>	<u>\$ 1,828,968</u>	<u>\$ 272,783</u>	<u>\$ 248,525</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
				\$ 2,453,040
				8,320,250
				10,773,290
				4,659,404
\$ 550,543				6,824,620
7,033	\$ 69,121	\$ 670,619	\$ 993,653	4,433,633
557,576	69,121	670,619	993,653	26,690,947
				9,289,118
	7,485			3,897,811
	810			2,902,798
21,568	448,670	69,685	90,586	1,213,761
767,918	1,493,442	224,377	399,523	9,437,577
	13,324,686	236,933	1,609,959	15,189,169
				145,325
789,486	15,275,093	530,995	2,100,068	42,075,559
(231,910)	(15,205,972)	139,624	(1,106,415)	(15,384,612)
	17,224		110,729	110,127
	(2,018,688)			(2,129,417)
0	(2,001,464)	0	110,729	(2,019,290)
(231,910)	(17,207,436)	139,624	(995,686)	(17,403,902)
1,257,537	17,207,436	1,919,126	4,751,910	30,248,215
\$ 1,025,627	\$ 0	\$ 2,058,750	\$ 3,756,224	\$ 12,844,313

NAPA VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS - STUDENT ACTIVITIES
FOR THE YEAR FISCAL ENDED JUNE 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Vintage High School</u>				
<u>ASSETS</u>				
Cash	\$ 153,436	\$ 809,243	\$ 754,919	\$ 207,760
<u>LIABILITIES</u>				
Due to Student Groups	\$ 153,436	\$ 809,243	\$ 754,919	\$ 207,760
<u>Napa High School</u>				
<u>ASSETS</u>				
Cash	\$ 282,458	\$ 754,544	\$ 699,754	\$ 337,248
<u>LIABILITIES</u>				
Due to Student Groups	\$ 282,458	\$ 754,544	\$ 699,754	\$ 337,248
<u>Silverado Middle School</u>				
<u>ASSETS</u>				
Cash	\$ 38,443	\$ 33,607	\$ 40,445	\$ 31,605
<u>LIABILITIES</u>				
Due to Student Groups	\$ 38,443	\$ 33,607	\$ 40,445	\$ 31,605
<u>Redwood Middle School</u>				
<u>ASSETS</u>				
Cash	\$ 60,050	\$ 126,927	\$ 119,773	\$ 67,204
<u>LIABILITIES</u>				
Due to Student Groups	\$ 60,050	\$ 126,927	\$ 119,773	\$ 67,204
<u>Valley Oak High School</u>				
<u>ASSETS</u>				
Cash	\$ 4,225	\$ 4,746	\$ 5,623	\$ 3,348
<u>LIABILITIES</u>				
Due to Student Groups	\$ 4,225	\$ 4,746	\$ 5,623	\$ 3,348
<u>American Canyon Middle School</u>				
<u>ASSETS</u>				
Cash	\$ 14,622	\$ 57,863	\$ 46,762	\$ 25,723
<u>LIABILITIES</u>				
Due to Student Groups	\$ 14,622	\$ 57,863	\$ 46,762	\$ 25,723
<u>American Canyon High School</u>				
<u>ASSETS</u>				
Cash	\$ 178,734	\$ 548,142	\$ 550,033	\$ 176,843
<u>LIABILITIES</u>				
Due to Student Groups	\$ 178,734	\$ 548,142	\$ 550,033	\$ 176,843

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS - STUDENT ACTIVITIES (CONCLUDED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>New Technology High School</u>				
<u>ASSETS</u>				
Cash	\$ 51,469	\$ 47,263	\$ 65,667	\$ 33,065
<u>LIABILITIES</u>				
Due to Student Groups	\$ 51,469	\$ 47,263	\$ 65,667	\$ 33,065
<u>Harvest Middle School</u>				
<u>ASSETS</u>				
Cash	\$ 50,665	\$ 187,959	\$ 214,049	\$ 24,575
<u>LIABILITIES</u>				
Due to Student Groups	\$ 50,665	\$ 187,959	\$ 214,049	\$ 24,575
<u>Phillips Charter School</u>				
<u>ASSETS</u>				
Cash	\$ 25,783	\$ 32,068	\$ 32,799	\$ 25,052
<u>LIABILITIES</u>				
Due to Student Groups	\$ 25,783	\$ 32,068	\$ 32,799	\$ 25,052
<u>Total - All Agency Funds</u>				
<u>ASSETS</u>				
Cash	\$ 859,885	\$ 2,602,362	\$ 2,529,824	\$ 932,423
<u>LIABILITIES</u>				
Due to Student Groups	\$ 859,885	\$ 2,602,362	\$ 2,529,824	\$ 932,423

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of the General Fund and the Charter School Fund by object.

B. 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.

C. 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 and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

E. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal revenue reported in the Bond Interest and Redemption Fund include \$1,384,302 of Build America Bond Interest subsidy payments which are exempt from the OMB A-133 scope, and have been excluded from this schedule.

F. Reconciliation of Unaudited Actuals Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actuals Financial Report to the audited financial statements.

G. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

H. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
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RICHARD J. GOODELL, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Education
Napa Valley Unified School District
Napa, California

We have audited the financial statements Napa Valley Unified School District as of and for the year ended June 30, 2012 and have issued our report thereon dated December 12, 2012. 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 Napa Valley Unified School District is responsible for establishing and maintaining effective control over financial reporting. In planning and performing our audit, we considered Napa Valley Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Napa Valley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Napa Valley Unified School 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

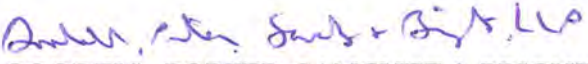
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as findings 2012-1 and 2012-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, the District Board, others within the entity, 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.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 12, 2012

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT 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

Board of Education
Napa Valley Unified School District
Napa, California

Compliance

We have audited Napa Valley Unified School District's 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 Napa Valley Unified School District's major federal programs for the year ended June 30, 2012. Napa Valley Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Napa Valley Unified School District's management. Our responsibility is to express an opinion on Napa Valley Unified School District's compliance based on our audit.

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

In our opinion, Napa Valley Unified School 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, 2012.


Internal Control Over Compliance

The management of Napa Valley Unified School 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 Napa Valley Unified School 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 Napa Valley Unified School District's internal control over compliance.

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

This report is intended solely for the information and use of management, the District Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 12, 2012

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

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

Board of Education
Napa Valley Unified School District
Napa, California

We have audited Napa Valley Unified School District's compliance with the requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, applicable to Napa Valley Unified School District's State government programs as noted below for the year ended June 30, 2012. Compliance with the requirements of State laws and regulations is the responsibility of Napa Valley Unified School 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 for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Napa Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Napa Valley Unified School District's compliance with those requirements.

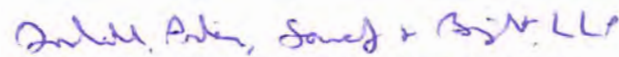
In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	6	Yes
Teacher certification and mis-assignments	3	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

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils-Pertussis Immunization	2	Yes
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	3	Yes
Mode of Instruction, for charter schools	1	Yes
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes - Classroom Based	4	Yes

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

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


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 12, 2012

FINDINGS AND QUESTIONED COSTS SECTION

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☐ Yes ☒ 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 Section 510 (a) of OMB Circular A-133 ☐ Yes ☒ No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.410	Education Jobs Funds
84.365	NCLB: Title II, Part A, Limited English Proficiency (LEP) Student Program
84.215L	Smaller Learning Communities
84.002 & 84.002A	Adult English Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$506,396

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

State Awards

Internal control over state programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☐ Yes ☒ None reported

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

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II - Financial Statements Findings

2012 - 1 - CASH DISBURSEMENTS - PURCHASE ORDERS -30000

Criteria: Sound accounting practices require the use of purchase orders as a management tool to document prior approval and encumbrance of District expenditures.

Condition: During our testing of internal controls for purchases and cash disbursements we found that seven (7) out of thirty-six (36) warrants tested, the purchase order was issued after receipt of the invoice from the vendor.

Cause: The District policy requiring prior approval of purchase orders on District expenditures is not being enforced.

Effect: Lack of adherence to the District's policy requiring purchase orders and proper authorization, limits management control over expenditures. Risk is increased that an error or impropriety such as fraud could occur and not be detected.

Questioned Costs: The condition referred to above was the result of our test of an attribute of the control system. We considered defining the dollar amount by extending the error rate to the total population, but determined this type of analysis would likely result in an incorrect conclusion.

Recommendation: To improve internal and budgetary controls, we recommend all District expenditures be supported by a completed purchase order prepared and approved in advance of the purchase. Before the purchase is approved, the budget should be reviewed for availability of funds and then the expenditure should be encumbered.

District Response: The District agrees with the recommendation and will implement in 2012-2013.

2012 - 2 - EXCESS VACATION CARRYOVER - 60000

Criteria: District policy allows employees to carryover unused current year vacation days for up to 280 hours to the subsequent year, unless approved by the Office of the Assistant Superintendent of Human Resources. Employees are to lose any hours over the cap.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II - Financial Statements Findings (Concluded)

2012 - 2 - EXCESS VACATION CARRYOVER - 60000 (CONCLUDED)

Condition: During our review of accrued vacation liability, we noted a total of 21 employees who have a carryover balance that exceeds the maximum allowable by District policy. Furthermore, for the employees who exceeded the maximum allowed, we did not note any approval on file to carry over the excess vacation balance.

Cause: The District did not enforce the policy as they intended in response to the prior year's Excess Vacation Carryover audit finding.

Effect: If employees with substantial vacation balances left the District and the District had to pay the employee for the accumulated vacation time, the financial impact to the District could be significant.

Amount of Questioned Costs and How Computed: We determined there are 21 employees with vacation carried over to fiscal year 2012-2013 that exceeds the maximum allowed carryover.

Recommendation: We recommend the District enforce the existing policy by requiring employees to use excess time within a two year time period and put procedures in place to ensure employees do not exceed the maximum allowed hours in the future.

District Response: The District agrees with the audit finding and will implement procedures to ensure employees use vacation so that within two years, balances do not exceed the maximum carryover allowed.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
1. Associated Student Body (ASB) - New Tech High School		
a. Require all ASB expenditures to be approved prior to making purchases and implement procedures to verify expenses are appropriate as a student body expenditures.	Accepted Implemented	
b. Require the ASB clerk retain support for each deposit.	Accepted Implemented	
2. All District employees should be instructed on the requirement that a complete and properly approved purchase order is created in advance of all purchases.	Accepted Not Implemented	See current year Finding 2012-1
3. The District should enforce the existing policy by requiring employees to use excess vacation time prior to the end of each fiscal year.	Accepted Not Implemented	See current year Finding 2012-2
4. The District should begin using the state approved kindergarten continuance form and file amended P-2 and Annual attendance reports.	Accepted Implemented	

NAPA VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
5. The District should establish procedures that ensure compliance with the requirements of Education Code 60119 requiring 10-day public notice properly posted. Each Board action that leads to a resolution should be described in the Board minutes.	Accepted Implemented	

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APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the General Fund of the District. The Refunding Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE REFUNDING BONDS" in the front half of the Official Statement.

General Information

The District is located in Napa County (the "**County**"). The District covers approximately 259 square miles and includes the City of Napa, the Town of Yountville, the City of American Canyon and adjacent unincorporated areas of the County. The District currently operates 19 elementary schools, 5 middle schools, 4 high schools, a continuation high school program and an adult education program. In addition, the District operates four charter schools. Enrollment in the District for the 2012-13 school year is approximately 18,058 students.

Administration

Board of Education. The District is governed by a seven-member Board of Education, each member of which is elected to a four-year term. The Board of Education is a policy-making body which operates within the laws of the State of California and Napa County. Each member is elected for a four-year term; terms of office are staggered with elections held every two years. The Board is responsible for approving the district's budget and adopting all policies and curriculum. The authority of the Board is as a whole and no Board member may act as an official of the district except when the board meets in a regular or a special session. Current members of the Board of Education, together with their office and the date their term expires, are listed below.

Name	Area	Term Expires
Frances Ortiz-Chavez, President	Area 5	November 2016
Thomas Kensok, Vice President	Area 3	November 2014
Jacqueline Chilton, Clerk	Area 1	November 2014
Robb Felder, Member	Area 6	November 2014
Carlos Hagedorn, Member	Area 2	November 2016
Jose Hurtado, Member	Area 7	November 2016
Joe Schunk, Member	Area 4	November 2016

Superintendent and Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Patrick J. Sweeney is the District Superintendent. J. Wade Roach is the Assistant Superintendent, Business Services.

Recent Enrollment Trends

The following table shows recent enrollment history and projections for the District.

ANNUAL ENROLLMENT Fiscal Years 2005-06 through 2011-12; 2012-13 through 2014-15 (estimated) Napa Valley Unified School District

<u>School Year</u>	<u>Enrollment</u>
2005-06	17,408
2006-07	17,418
2007-08	17,552
2008-09	17,771
2009-10	18,058
2010-11	17,912
2011-12	17,852
2012-13*	18,058
2013-14*	18,075
2014-15*	18,057

* Estimate.

Source: California Department of Education, Educational Demographics Unit, except 2011-12 through 2014-15 data.

Employee Relations

As of Jan 31, 2013, the District employed 948.4 certificated and 629.6 classified employees.

In addition, the District employs 1,299 part-time faculty and staff. These employees, except management and some part-time employees, are represented by the bargaining units as noted below:

Labor Organizations Napa Valley Unified School District

<u>Labor Organization</u>	<u>No. of Employees</u>	<u>Contract Expiration</u>
California School Employees Association, Napa Chapter 184	626	December 31, 2014
Napa Association Pupil Services	64	June 30, 2013
Napa Valley Educators Association	840	June 30, 2015

Source: The District

District Retirement Systems

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

All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll.

The District's contribution to STRS for fiscal year 2011-12 was \$5,505,320 and for fiscal year 2012-13 is projected to be \$5,158,421 (2nd Interim Report).

All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within PERS. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate, which was 10.923% of covered payroll in 2011-12. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each participant.

The District's contribution to PERS for fiscal year 2011-12 was \$2,493,688 and is projected to be \$2,428,719 for fiscal year 2012-13 (2nd Interim Report).

Other Post-Employment Retirement Benefits

The Plan Generally. In addition to the pension benefits described above, the District provides post-employment health benefits for eligible employees who retire early. The amount and length of these benefits depends on a variety of factors, including age at retirement, length of service, and status as a certificated, classified or management employee.

Contribution Information Certificated retirees (including Certificated Management and Certificated Pupil Services) are eligible for a District contribution of up to \$346.88 per month towards retiree medical premiums under one of the California Public Employees Medical and Hospital Care Act (PEMHCA) operations if the retiree has attained age 55 and has completed at least 10 years of service with the District. Classified retirees (including Classified Management Classified Charter, Confidential, and Supervisory) are eligible for this benefit after the later of age 50 and 10 years of service, provided age plus years of service equals at least 65. Employees are not required to contribute to the plan.

Annual OPEB Cost and Net OPEB Obligation. In September 2009, Demsey, Filliger & Associates performed an actuarial study of the District's annual other postemployment benefit ("**OPEB**") costs. The District's OPEB cost is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined in accordance with the parameters of Government Accounting Standards Board Statement No. 45 ("**GASB 45**"). GASB

45 requires local government employers who provide OPEB as part of the compensation offered to employees to recognize the expense and related liabilities and assets in their financial statements. The District implemented GABS 45 for fiscal year ending June 30, 2009.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities ("**UAAL**") over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan (which was 29.2% of ARC), and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$3,137,733
Interest on net OPEB obligation	442,409
Adjustment to annual required contribution	(575,589)
Annual OPEB cost (expense)	3,004,553
Contributions made	(987,351)
Increase in net OPEB obligation	2,017,202
Net OPEB obligation, beginning of year	8,848,188
Net OPEB obligation, end of year	\$10,865,390

OPEB Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
July 1, 2010	\$3,316,140	27.57%	\$6,640,689
July 1, 2011	3,037,779	27.33	8,848,188
July 1, 2012	3,004,553	32.86	10,865,390

Actuarial Methods and Assumptions. As described in the District's 2011-12 Audited Financial Statements (Note 9), the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of September 2011, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$25.5 million, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$96 million, and the ratio of the UAAL to the covered payroll was 26.6 percent.

Charter Schools

Currently, there are four charter schools that are operated by the District in the 2012-13 school year under charter granted by the Board of Education. Total combined charter school average daily attendance is approximately 2,098 for the 2011-12 fiscal year. Charter schools receive revenue from the State and from local property taxes for each student attending. The District transfers property taxes to each charter school based on its proportionate share of

A.D.A. In the District's audited financial statements, the Charter Schools Fund is used to present the financial activities of the charter schools in accordance with guidance provided by the California Department of Education. The District is reimbursed for most of these charter schools for administrative and other services provided to the charter schools.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see "APPENDIX A – Audited Financial Statements of the District for the Year ending June 30, 2012 – Note 1 Significant Accounting Policies" herein.

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2012 Audited Financial Statements were prepared by Goodell, Porter, Sanchez & Bright, LLP, Sacramento, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2012, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 2425 Jefferson Street, Napa, California 94558-4931; phone (707) 253-3511. See Appendix A hereto for the June 30, 2012 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

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

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows recent audited general fund income and expense statements for the District.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balance ⁽¹⁾
Fiscal Years 2009-10 through 2011-12 (Audited)

	2009-10 Audited	2010-11 Audited	2011-12 Audited
<u>Revenues</u>			
Revenue Limit Sources:			
State Apportionments ⁽²⁾	\$12,296,864	\$ 47,757,727	\$18,700,178
Local Sources	69,191,353	40,918,108	69,093,150
Total Revenue Limit	81,488,217	88,675,835	87,793,328
Federal Revenue	11,444,128	11,695,930	12,220,475
Other State Revenue	15,221,471	15,685,928	15,514,698
Other Local Revenue	7,034,737	3,983,977	5,443,910
Total Revenue	115,188,553	120,041,670	120,972,411
<u>Expenditures</u>			
Certificated Salaries	65,519,618	62,187,644	59,390,924
Classified Salaries	20,494,494	20,397,913	19,663,125
Employee Benefits	17,836,247	17,778,958	19,024,103
Books and Supplies	5,501,683	5,616,658	4,880,397
Services and Other Expenditures	11,804,763	12,332,384	11,243,689
Capital Outlay	740,324	465,701	1,199,379
Other Outgo	474,274	6,721	(138,260)
Total Expenditures	122,371,403	118,785,979	115,263,357
Excess (deficiency) of revenues over expenditures	(7,182,850)	1,255,691	5,709,054
<u>Other Financing Sources (Uses)</u>			
Operating transfers In	110,307	741,180	135,000
Operating transfers Out	(1,105,943)	(857,781)	(382,174)
Other Sources	117,985	119,768	--
Total Other Financing Sources (Uses)	(877,651)	3,167	(247,174)
Net Change in Fund Balance	(8,060,501)	1,258,858	5,461,880
Beginning Balance	20,335,639	12,275,138	13,988,980
Ending Balance ⁽³⁾	\$12,275,138	\$13,533,996	\$19,450,860

(1) Does not include financial information for the District's four charter schools.

(2) To satisfy its budget requirements for fiscal year 2009-10 the State is making certain accounting changes that have the effect of lowering Proposition 98 base revenue limits. As a result of the adjustments, the District was technically a "basic aid" district for that fiscal year.

(2) As restated to reflect an overstatement of accounts receivable in fiscal year 2009-10.

Source: *The District's Audited Financial Statements.*

The following table shows the General Fund income and expense statements for the District for the fiscal year 2012-13 (budgeted and projected based on the Second Interim Report). The District's budgets and interim reports are not prepared in compliance with GASB Statement No. 34 requirements. Totals may not foot due to rounding.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2012-13 (Budgeted and Second Interim Projections)

	Budgeted 2012-13	2nd Interim 2012-13
REVENUES		
Revenue Limit Sources	\$83,605,486	\$90,099,965
Federal	8,724,816	11,213,288
Other State	15,473,659	15,812,090
Other Local	2,553,786	4,445,341
Total Revenues	110,357,747	121,570,684
EXPENDITURES		
Certificated Salaries	60,606,987	62,639,094
Classified Salaries	20,121,625	20,986,624
Employee Benefits	20,756,464	20,954,651
Books and Supplies	5,468,117	8,652,713
Services, other operating expenses	11,481,942	13,405,792
Capital Outlay	120,770	463,678
Other Outgo (Excl. Indirect Costs)	32,302	32,302
Indirect/Direct support costs	(130,071)	(135,983)
Total Expenditures	118,458,136	126,998,871
Revenues Over (Under) Expends	(8,100,389)	(5,428,188)
OTHER FINANCING SOURCES		
Operating Transfers In	900,000	900,000
Operating Transfers Out	--	--
Net Financing Sources (Uses)	900,000	900,000
Net Change in Fund Balance	(7,200,389)	(4,528,188)
Fund Balance, July 1	19,450,860	19,512,942
Fund Balance, June 30	\$12,250,471	\$14,984,754

Source: The District.

District Budget and Interim Financial Reporting

District Reserves. In general, the State requires that the California school districts maintain the equivalent of 3% of annual general fund expenditures in reserve to be available during financial crisis. The District has historically maintained its reserve at the 3% requirement for a reserve for economic uncertainty, and continues to do so in its fiscal year 2012-13 Budget.

Effect of State Reductions in Education Funding on District. As a result of the State's budgeting difficulties (see "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" below), the District has responded in multiple ways. For the 2011-12 budget, the Board authorized \$6.2 million in expense reductions and other adjustments with additional furlough days, higher class sizes and reduced staff. The District has also taken advantage of categorical flexibility in order to balance its budget for 2009-10, 2010-11 and 2011-12.

Budgeting - Education Code Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("**AB 1200**"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1. The District adopted its 2012-13 Budget on June 14, 2012.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the

county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

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

District's Budget Approval/Disapproval and Certification History. The District has not had a qualified or negative certification on any interim budget report during the past five years. Each of their budgets have been approved during such period, and interim reports have received positive certifications. The First Interim Report was certified as positive by the District Board and the County office of education, and the Second Interim Report was certified as positive by the District Board and will be reviewed by the County office of education.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 2425 Jefferson Street, Napa, California 94558-4931; phone (707) 253-3511. The District may impose charges for copying, mailing and handling.

State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance ("**A.D.A.**"). Such apportionments will, generally speaking, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of \$120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding to categorical

entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is not a Basic Aid district.

A schedule of the District's A.D.A. during the past nine years, as well as projections for 2013-14 and 2014-15, is shown below.

NAPA VALLEY UNIFIED SCHOOL DISTRICT
Average Daily Attendance⁽¹⁾
Fiscal Years 2004-05 through 2012-13; 2013-14 and 2014-15 (Projections)

Fiscal Year	Average Daily Attendance	Funded Revenue Limit Per ADA
2004-05	16,096	\$4,855
2005-06	16,263	5,124
2006-07	16,309	5,538
2007-08	16,659	5,790
2008-09	16,997	5,658
2009-10	16,805	5,227
2010-11	16,976	5,232
2011-12	15,015	5,177
2012-13	15,304	5,234
2013-14 ⁽²⁾	15,320	5,319
2014-15 ⁽²⁾	15,320	5,435

(1) Includes charter schools.

(2) Projection.

Source: Napa Valley Unified School District.

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

Revenue Sources

The District categorizes its general fund revenues into four sources:

NAPA VALLEY UNIFIED SCHOOL DISTRICT
District Revenue Sources

<u>Revenue Source</u>	<u>Percentage of Total District General Fund Revenues</u>			
	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13⁽¹⁾</u>
Revenue limit sources	70.7%	73.9%	72.6%	74.1
Federal revenues	9.9	9.7	10.1	9.2
Other State revenues	13.2	13.1	12.8	13.0
Other local revenues	6.1	3.3	4.5	3.7

(1) Second Interim Report.

Source: Napa Valley Unified School District.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit

calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, home-to-school transportation, Economic Impact Aid, and mandated cost reimbursements.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in lottery revenues over 1997-98 levels must be restricted to use on instructional materials. Lottery revenues generally comprise approximately 2% of general fund revenues.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

Existing Debt Obligations

General Obligation Bonds. On June 4, 1996, the voters of the District approved authorization of \$23.1 million in general obligation bonds. The District issued these bonds in five series. On November 5, 2002, the voters of the District approved authorization of \$95 million in general obligation bonds. The District issued these bonds in three series. On November 7, 2006, the voters of the District approved the authorization of not to exceed \$183 million in general obligation bonds. The District has issued six series of bonds under this issuance. The District has also issued three series of refunding bonds- its 2007 Refunding Bonds, 2010 Refunding Bonds and 2012 Refunding Bonds.

The following table summarizes the outstanding general obligation bond debt, prior to the refunding of the 2005 Bonds and the 2006 Bonds.

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Outstanding April 1, 2013</u>	<u>Original Final Maturity</u>
Election of 2002 (\$95 million Authorized)			
Series 2003	\$35,000,000.00	\$ 960,000.00	8/1/2027
Series 2005 ⁽¹⁾	25,000,000.00	22,250,000.00	8/1/2029
Series 2006 ⁽¹⁾	35,000,000.00	30,185,000.00	8/1/2030
	<u>\$95,000,000.00</u>	<u>\$53,395,000.00</u>	
Election of 2006 (\$183 million Authorized)			
Series 2007	\$90,000,000.00	\$73,605,000.00	8/1/2046
Series 2009A	8,485,000.00	7,965,000.00	8/1/2029
Series 2009B (Build America Bonds)	21,515,000.00	21,515,000.00	8/1/2044
Series 2009C	21,877,729.95	21,877,729.95	8/1/2049
Series 2010A	7,122,270.00	7,122,270.00	8/1/2033
Series 2010B (Build America Bonds)	34,000,000.00	34,000,000.00	8/1/2043
	<u>\$182,999,999.95</u>	<u>\$166,084,999.95</u>	
Refunding Bonds			
2007 Refunding Bonds	\$12,230,000.00	\$10,840,000.00	8/1/2025
2010 Refunding Bonds	14,405,000.00	14,405,000.00	8/1/2024
2012 Refunding Bonds	26,060,000.00	25,550,000.00	8/1/2027
	<u>\$52,695,000.00</u>	<u>\$50,795,000.00</u>	
Aggregate Total	\$330,694,999.95	\$270,274,999.95	

(1) A portion to be refunded with Refunding Bond proceeds, as described in this Official Statement.

The District has never defaulted on the payment of principal or interest on any of its long-term indebtedness.

See "APPENDIX A - Audited Financial Statements of the District – Note 7 – General Obligation Bonds" for summaries and expected debt service requirements of the above-listed long-term debt. See also "DEBT SERVICE SCHEDULES" in the body of this Official Statement.

Municipal Leases. The District has entered into capital leases to finance the purchase of computers. All of these lease agreements provide for title to pass to the District upon expiration of the lease periods. Future minimum lease payments are as follows:

NAPA VALLEY UNIFIED SCHOOL DISTRICT Outstanding Capital Lease Obligations

<u>Fiscal Year Ending</u>	<u>Lease Payment</u>
2013	\$ 83,133
2014	<u>83,134</u>
Total	166,266
Less amount representing interest	<u>15,285</u>
Present value of net minimum lease payments	\$150,981

Source: Napa Valley Unified School District.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the Napa County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition,

counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "—State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

State Funding of Education and Recent State Budgets

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "— State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the County, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each House of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

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

Recent State Budgets

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

1. 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.
2. 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.
3. 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.
4. 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 2008-2009 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 which are intended to address these budgetary difficulties.

Information on State Economic Challenges, Prior Year State Budgets and Related Events. The State's financial condition and budget policies affect communities, local public agencies and school districts throughout California. The State of California is experiencing significant financial and budgetary stress. Exacerbating the State's challenges, as the State entered recession in 2008, annual revenues generally were less than annual expenses, creating a "structural" budget deficit. This structural deficit is due in part to overreliance on temporary budgetary remedies in prior State Budget years, including one-time revenues, internal borrowing, payment deferrals, accounting shifts and expenditure reduction proposals that have not materialized.

In recent years, the State Budget was also, repeatedly, not passed and signed in a timely manner. Frequently, school district budgets have been revised after the delivery of delayed State Budgets to reflect necessary changes in revenues and expenditures. Delays in the delivery of State budgets cause an element of uncertainty for local governments, such as school districts. Delayed payments from the State to the District, which are more common during periods in which the State faces economic challenges, also subject the District to additional risk.

In recent years, Governor Edmund G. Brown Jr. has employed a strategy of proposing revenue raising measures coupled with automatic expenditure and service cuts, which cuts go into effect if the revenue raising measures are not approved by the State Legislature or State voters, into his State budget packages. The State's 2011-12 Budget (the "**2011-12 Budget**") relied on \$4 billion of additional tax revenue, which when not realized, automatically triggered

nearly \$1 billion further cuts to universities, welfare, courts and schools (the "**Trigger Cuts**"). "**Tier 1 Trigger Cuts**" would be triggered if, by January 2012, State revenues fell short of projections by \$1-2 billion. Tier 1 Trigger Cuts related to cuts in university, social services and library funding and would total approximately \$600 million. "**Tier 2 Trigger Cuts**" would be triggered if, by January 2012, revenues were projected to fall short by more than \$2 billion. Tier 2 Trigger Cuts related to K-12 revenue limit funding and home-to-school transportation and were to total approximately \$1.9 billion.

On December 13, 2011, Governor Brown announced the State would fall \$2.2 billion short of the revenue forecast contained in the 2011-12 Budget, and that \$980 million in Trigger Cuts, comprised of all Tier 1 Trigger Cuts and a portion of Tier 2 Trigger Cuts, would be implemented. Effective January 1, 2012, Trigger Cuts to funding for University of California, California State University, community colleges, developmental services, local libraries and state-subsidized child care and K-12 school bus service funding, among others, became effective. Effective February 1, 2012, Trigger Cuts to general revenue limit funding for K-12 school districts totaling \$79.6 million were implemented.

The 2011-12 Budget was also premised on \$2.8 billion in deferrals to K-12 schools and community colleges and \$1.7 billion to be directed from State redevelopment agency funds pursuant to ABx1 27. ABx1 27 was passed together with ABx1 26, which restricted redevelopment agency actions to create new debt and then dissolved them. On December 29, 2011, the State Supreme Court issued its decision in *California Redevelopment Assoc. v. Matosantos*, a case brought to determine the constitutionality of ABx1 26 and ABx1 27, ruling that ABx1 26 was constitutional and ABx1 27 was not. By February 1, 2012 all redevelopment agencies were to cease operations and dismantle, and no additional payments from communities with redevelopment agencies to fund school expenditures are thereafter constitutionally permissible. Other challenges or delays relating to the implementation of these statutes cannot be predicted at this time.

Moreover, the 2011-12 Budget included decreases in Proposition 98 funding to \$48.7 billion, including \$32.8 billion from the State general fund, which reflected a decrease from the prior year of \$1.1 billion. This decrease was a net figure reflective of all budgetary actions taken with respect to the State's share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee. The 2011-12 Budget also made a significant, one-time modification to State budgeting requirements for school districts, requiring them to project the same level of revenue per student in 2011-12 as in 2010-11, as well as to maintain staffing and program levels commensurate with such level of funding. A related provision of the 2011-12 Budget provided that school districts would only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

Finally, the 2011-12 Budget contained the numerous significant measures with respect to K-12 education, including: (i) an additional apportionment deferral of \$1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level, (ii) a decrease of \$62.3 million to part-day preschool spending to reflect a reduction of income eligibility levels to 70% of the State median Income and across-the-board reductions to provider contracts, (iii) \$11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12, (iv) \$3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which was designed to provide at-risk high school students with

occupational training in areas such as conservation, renewable energy and pollution reduction, (v) a decrease of \$180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State median Income and across-the-board reductions to provider contracts, (vi) a decrease of \$2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES), which program was intended to provide a central State information depository regarding the teaching workforce, and (vii) projected savings of \$1.6 million through the elimination of the Office of the Secretary of Education.

2012-13 State Budget. On June 15, 2012, the Legislature passed a \$92 billion General Fund State Budget that closed the State's then-remaining \$15.7 billion deficit and rebuilt a \$1 billion General Fund reserve (the "**2012-13 State Budget**"). The 2012-13 State Budget relied on a plan to submit to the voters on November 6, 2012 the Schools and Local Public Safety Protection Act, a \$6.9 billion tax increase, known as Proposition 30 (the "**Proposition 30**"). Proposition 30, which obtained the requisite majority vote, enacts temporary increases on high-income earners by raising income taxes by up to three percent on earnings over \$250,000 for seven years, and increases the state sales tax by one-quarter of one cent for four years. The 2012-13 Budget also contains reductions in expenditures from prior years spending totaling \$8.1 billion, including reductions caused by elimination of the Healthy Families program and by reforms relating to the CalWORKs, Medi-Cal, Judiciary and Cal Grant programs. The 2012-13 Budget expects \$1.5 billion in savings will be generated as the result of the transfer of cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services and to schools to offset State General Fund costs. An additional \$1.9 billion in savings will arise due to prepayment of the State's Proposition 98 funding as required by a court settlement. Governor Brown signed the 2012-13 Budget on June 27, 2012.

The complete 2012-13 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Series 2012 Bonds.

The execution of 2012-13 Budget may be affected by numerous factors, including but not limited to: (i) national, State and international economic conditions, (ii) litigation risk associated with proposed spending reductions, (iii) failure to generate expected savings as a result of the transfer of cash assets previously held by redevelopment agencies and (iv) other factors, all or any of which could cause the revenue and spending projections made in 2012-13 Budget to be unattainable. The District cannot predict the impact that the 2012-13 Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2012-13 Budget.

2013-14 State Budget. On January 10, 2013, Governor Brown presented his Proposed State Budget for the 2013-14 Fiscal Year (the "**2013-14 State Budget**"), the first balanced budget presented in many years. The 2013-14 State Budget proposes a multi-year plan that is balanced, maintains a \$1 billion reserve, and pays down budgetary debt from past years. Overall State General Fund spending is projected to grow by 5 percent, from \$93 billion in Fiscal Year 2012-13 to \$97.7 billion in Fiscal Year 2013-14. The majority of the spending growth is in education and health care. Under the 2013-14 State Budget, funding levels for K-12 schools will increase by almost \$2,700 per student through 2016-17, including an increase of more than \$1,100 per student in 2013-14 over 2011-12 levels, which increased funding is tied to new

accountability measures. Funding is also increased for the University of California and California State University higher education systems. The 2013-14 Budget includes a \$350 million allocation from the State's General Fund to begin to pay for the implementation of federally-required expansions of State health care coverage.

The complete 2013-14 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Refunding Bonds.

The execution of 2013-14 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with proposed spending reductions, (iv) rising health care costs and (v) other factors, all or any of which could cause the revenue and spending projections made in 2013-14 State Budget to be unattainable. The District cannot predict the impact that the 2013-14 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2013-14 State Budget, or the accuracy of its attempts to project and budget for past and future Trigger Cuts that may affect it.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Refunding Bonds to provide State budget information to the District or the owners of the Refunding Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein. However, the Refunding Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "-State Funding of Education" and "-Recent State Budgets" above.

2010 Robles-Wong Litigation. On May 20, 2010, a plaintiff class of numerous current California public school students and several school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya*

Robles-Wong, et al. v. State of California, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. On July 16, 2010, the California Teachers' Association filed a Complaint in Intervention, making the same allegations and seeking the same declaratory and injunctive relief. On January 14, 2011, the court dismissed certain of the causes of action, including causes of action that alleged a constitutional right to a particular level of education funding and violations of equal protection of the law, based on certain State constitutional provisions. On July 26, 2011, the Superior Court rejected the plaintiff's amended complaint as not stating an equal protection claim. On January 25, 2012, the plaintiffs filed an appeal in the 1st Appellate District. The District cannot predict the ultimate outcome of the Robles-Wong litigation. However, if successful, the lawsuit could result in changes to the implementation of school finance in the State of California.

2011 CSBA Litigation. 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 announced on August 28, 2011 that they were filing a lawsuit (the "**CSBA Lawsuit**") in the Superior County of the City and County of San Francisco, seeking to restore more than \$2 billion that had been designated to California public schools under Proposition 98, but was cut from the 2011-12 State Budget. The Superior Court has rejected the CSBA Lawsuit, however the plaintiffs may appeal the decision. On July 27, 2012, the plaintiffs filed an appeal in the 1st Appellate District. The District cannot predict the ultimate outcome of the CSBA Lawsuit.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the Refunding Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Unitary Property

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

Constitutional Appropriations Limitation

Article XIII B ("**Article XIII B**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Article XIIC and Article XIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIC and XIID (respectively, "**Article XIIC**" and "**Article XIID**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing

orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 62

A statutory initiative ("**Proposition 62**") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K 14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior

law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years.

Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

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

Application of Constitutional and Statutory Provisions; Recent Lawsuit

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets." In addition, a lawsuit is pending against the State with respect to the existing system of public school finance. See "DISTRICT FINANCIAL INFORMATION - Legal Challenges to State Funding of Education."

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111 and 22 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF NAPA AND NAPA COUNTY

*The following information concerning Napa County (the "**County**") and the City of Napa (the "**City**") is included only for the purpose of supplying general information regarding the area of the District. The Refunding Bonds are not a debt of the County, the City, the State of California (the "**State**") or any of its political subdivisions, and neither the County, the City, the State nor any of its political subdivisions is liable therefor.*

General and Location

The City of Napa. The City, located 52 miles northeast of San Francisco and 61 miles west of Sacramento at the southern end of the Napa Valley, is an industrial, commercial and government center. The Napa community area, including the Napa Valley, is rich in agricultural resources. The City encompasses 18.43 square miles in south central Napa County. The City provides a full range of urban services in support of a growing community of 76,000 people. The City is undergoing a rapid transformation from a formerly blue collar and agriculturally based community to a tourism and commercial center for the Napa Valley and the North Bay. In the past 10 years, new shopping centers including the Napa Premium Outlets, The South Napa Marketplace, and Wal Mart have located in the City. Other neighborhood centers are currently under redesign. There have been three upscale hotel projects approved for development along the Napa River in Downtown Napa to complement COPIA, the American Center for Wine, Food and the Arts. Key downtown office and public service buildings have been beautifully restored. Several major infrastructure enhancements are currently underway, including a \$55 million Interchange at Redwood and Highway 29 in the center of the city, a \$50 million fixed-span bridge at Imola Avenue in the southern part of the city, and seven downtown bridge replacements as part of the \$230 million Flood Protection Project, also in the central business district.

As County seat and the largest City in the County, the City is the location of County, State and Federal offices and other facilities. Manufacturing is diversified; major products include steel products, building materials, apparel, wine, brandy and champagne and leather products.

The County of Napa. Napa County (the "**County**"), located in Northern California about fifty miles northeast of San Francisco, was incorporated in 1850 as one of the original 27 California counties. The County encompasses an area of approximately 794 square miles and includes five incorporated cities. The County is bordered on the west by Sonoma County, on the northeast by Yolo County, on the north by Lake County, and on the southeast by Solano County. Napa County is characterized by northwest to southeast mountain ranges and valleys, the major valley being that of the Napa River. The topography is also marked by Lake Berryessa, an approximately 25 mile long, man-made lake in the northeastern part of the County, and Mt. Saint Helena, approximately 4,444 feet high, to the northwest.

Population

The historic population estimates for the County and cities within the County as of January 1 of the years 2009 through 2013 are listed below.

NAPA COUNTY Population Estimates As of January 1

Area	2009	2010	2011	2012	2013
American Canyon	16,521	19,401	19,628	19,734	19,862
Calistoga	5,335	5,151	5,170	5,181	5,194
Napa	77,917	76,838	77,208	77,513	77,881
St. Helena	5,969	5,809	5,829	5,837	5,854
Yountville	3,267	2,930	3,016	2,991	2,983
Unincorporated	<u>28,714</u>	<u>26,187</u>	<u>26,381</u>	<u>26,475</u>	<u>26,609</u>
Total County	137,723	136,316	137,232	137,731	138,383

Source: California State Department of Finance.

Personal Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2007 through 2011.

**CITY OF NAPA AND NAPA COUNTY
Effective Buying Income
2007 through 2011**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2007	City of Napa	\$1,849,380	\$51,639
	Napa County	3,624,810	54,498
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Napa	\$1,775,910	\$49,506
	Napa County	3,492,675	52,144
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Napa	\$1,859,108	\$51,503
	Napa County	3,549,050	54,426
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Napa	\$1,720,493	\$48,631
	Napa County	3,370,165	51,737
	California	801,393,028	41,177
	United States	6,365,020,076	41,368
2011	City of Napa	\$1,799,668	\$48,892
	Napa County	3,453,650	51,788
	California	814,578,458	47,062
	United States	6,438,704,664	41,253

Source: The Nielsen Company (US), Inc.

Taxable Transactions

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to that of prior years. A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table.

Total taxable sales during calendar year 2011 in the City were reported to be \$1.06 billion, a 7.1% increase over the total taxable sales of \$992.3 million reported during calendar year 2010. Figures are not yet available 2012.

CITY OF NAPA Taxable Transactions (Figures in Thousands)

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	1,006	\$897,970	2,437	\$1,123,386
2008	1,079	898,221	2,498	1,095,026
2009 ⁽¹⁾	1,450	817,811	2,393	971,174
2010 ⁽¹⁾	1,455	848,200	2,409	992,329
2011 ⁽¹⁾	1,479	908,482	2,407	1,062,733

⁽¹⁾ Retail Stores data not comparable to prior years.

Source: California State Board of Equalization

Total taxable sales during calendar year 2011 in the County were reported to be \$2.49 billion, an 8.4% increase over the total taxable sales of \$2.30 billion reported during calendar year 2010. Figures are not yet available for 2012.

NAPA COUNTY Taxable Transactions (Figures in Thousands)

	Retail Stores		Total All Outlets	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	1,762	\$1,514,461	4,948	\$2,572,656
2008	1,855	1,499,296	5,023	2,548,990
2009 ⁽¹⁾	2,673	1,325,300	4,992	2,216,283
2010 ⁽¹⁾	2,712	1,383,035	5,071	2,301,907
2011 ⁽¹⁾	2,840	1,500,810	5,245	2,494,845

⁽¹⁾ Retail Stores data not comparable to prior years.

Source: California State Board of Equalization

Employment and Industry

The table below provides information about employment rates and employment by industry type for Napa County for calendar years 2007 through 2011.

NAPA COUNTY Employment by Industry Annual Averages

	2007	2008	2009	2010	2011
Civilian Labor Force ⁽¹⁾	73,400	75,600	75,500	74,400	76,500
Employment	70,400	71,800	69,000	67,100	69,600
Unemployment	2,900	3,800	6,500	7,300	6,900
Unemployment Rate	4.0%	5.1%	8.6%	9.8%	9.0%
Wage and Salary Employment ⁽²⁾					
Agriculture	4,900	4,900	4,900	4,700	4,600
Logging, Mining, Construction	4,600	4,000	3,000	2,600	2,400
Manufacturing	11,700	12,000	11,000	10,700	10,700
Wholesale Trade	1,700	1,600	1,500	1,500	1,500
Retail Trade	6,100	6,100	5,800	5,800	5,700
Transportation, Warehousing and Utilities	1,600	1,700	1,600	1,500	1,600
Information	700	700	600	600	600
Finance and Insurance	6,100	6,100	5,700	5,300	5,400
Real Estate and Rental and Leasing	8,000	8,200	8,000	8,300	8,600
Professional and Business Services	9,100	9,200	8,800	9,300	9,900
Educational and Health Services	1,800	2,100	1,900	1,900	2,000
Leisure and Hospitality	400	400	400	400	400
Other Services	3,500	3,500	3,700	3,600	3,500
Federal Government	6,300	6,700	6,500	6,400	6,300
State Government	4,900	4,900	4,900	4,700	4,600
Local Government	4,600	4,000	3,000	2,600	2,400
Total, All Industries ⁽³⁾	69,000	69,800	65,800	64,800	65,500

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The major employers in the County as of January 2013 are shown below.

NAPA COUNTY Major Employers January 1, 2013- Listed Alphabetically

Employer Name	Location	Industry
Auberge Du Soleil	Rutherford	Full-Service Restaurant
California Wine Tours	Napa	Limousine Service
Domaine Chandon Admin Office	Yountville	Wineries (Mfrs)
Evans Airport Svc	Napa	Airport Transportation Service
Health & Human Svc Agency	Napa	County Gov.-Social/Human Resources
Health & Human Svc Agency	Napa	County Government-Public Health Programs
Home Depot	Napa	Home Centers
Marriott-Napa Valley	Napa	Hotels & Motels
Mylan Specialty	Napa	Physicians & Surgeons Equip & Supls-Mfrs
Napa County Children's Center	Napa	Schools
Napa County Community School	Napa	Schools
Napa County Health & Human Svc	Napa	County Government-Public Health Programs
NAPA State Hospital	Napa	Mental Health Services
Napa Valley College	Napa	Schools-Universities & Colleges Academic
Pacific Union College Ltd	Angwin	Schools-Universities & Colleges Academic
Queen of the Valley Med Center	Napa	Hospitals
Silverado Resort & Spa	Napa	Golf Courses
Sutter Home Winery	Saint Helena	Wineries (Mfrs)
Syar Industries Inc	Napa	Marketing Programs & Services
Treasury Wine Estates	Saint Helena	Wineries (Mfrs)
Trinchero Family Estates	Saint Helena	Wineries (Mfrs)
Universal Protection Svc	Napa	Security Guard & Patrol Service
Veterans Home of California	Yountville	Government-Specialty Hosp Ex Psychiatric
Walmart Supercenter	Napa	Department Stores
Walmart Supercenter	American Canyon	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition.

Construction Trends

Provided below are the building permits and valuations for the City and the County of Napa for calendar years 2007 through 2011.

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

	2007	2008	2009	2010	2011
<u>Permit Valuation</u>					
New Single-family	\$34,395.7	\$21,674.6	\$5,886.3	\$14,122.5	\$14,711.3
New Multi-family	7,471.9	731.3	458.6	0.0	1,582.4
Res. Alterations/Additions	<u>13,780.6</u>	<u>9,138.3</u>	<u>12,405.1</u>	<u>7,628.1</u>	<u>8,151.2</u>
Total Residential	55,648.2	31,544.2	18,750.0	21,750.6	24,444.9
New Commercial	54,385.9	26,920.0	0.0	14,161.4	1,826.4
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	4,395.7	9,339.5	3,699.8	1,261.7	0.0
Com. Alterations/Additions	<u>28,403.4</u>	<u>24,112.6</u>	<u>18,600.0</u>	<u>15,810.9</u>	<u>57,777.6</u>
Total Nonresidential	\$87,184.9	\$60,372.1	\$22,299.8	\$31,234.0	59,604.0
<u>New Dwelling Units</u>					
Single Family	126	75	17	46	58
Multiple Family	<u>52</u>	<u>4</u>	<u>4</u>	<u>0</u>	<u>26</u>
TOTAL	178	79	21	46	84

Source: Construction Industry Research Board, Building Permit Summary

NAPA COUNTY Total Building Permit Valuations (Valuations In Thousands)

	2007	2008	2009	2010	2011
<u>Permit Valuation</u>					
New Single-family	\$114,385.6	\$97,697.9	\$82,970.9	\$60,137.9	\$54,267.2
New Multi-family	7,471.9	4,552.6	1,008.3	0.0	1,582.4
Res. Alterations/Additions	<u>41,969.3</u>	<u>28,902.3</u>	<u>36,876.1</u>	<u>32,186.0</u>	<u>45,584.2</u>
Total Residential	163,826.8	131,152.8	120,855.3	92,323.8	101,433.8
New Commercial	128,087.7	56,042.7	45,385.4	16,387.4	18,591.4
New Industrial	58,245.5	18,978.4	8,916.8	0.0	16,410.5
New Other	25,609.7	42,917.7	20,746.1	20,199.8	5,758.4
Com. Alterations/Additions	<u>75,906.4</u>	<u>79,750.6</u>	<u>57,327.4</u>	<u>57,667.9</u>	<u>79,594.7</u>
Total Nonresidential	\$287,849.3	\$197,689.4	\$132,375.8	\$94,255.1	120,355.0
<u>New Dwelling Units</u>					
Single Family	262	215	126	106	128
Multiple Family	<u>52</u>	<u>32</u>	<u>6</u>	<u>0</u>	<u>26</u>
TOTAL	314	247	132	106	154

Source: Construction Industry Research Board, Building Permit Summary

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

May 29, 2013

Board of Education
Napa Valley Unified School District
2425 Jefferson Street
Napa, California 94558

OPINION: \$48,515,000 Napa Valley Unified School District
(Napa County, California)
2013 General Obligation Refunding Bonds

Ladies and Gentlemen:

We have acted as bond counsel to the Napa Valley Unified School District (the "District") in connection with the issuance by the District of its Napa Valley Unified School District (Napa County, California) 2013 General Obligation Refunding Bonds in the aggregate principal amount of \$48,515,000 (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"), and a resolution of the Board of Education of the District (the "Board") adopted on April 18, 2013 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

1. The District is duly established and validly existing as a unified school district with the power to issue the Bonds, and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board, and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District, and the Board of Supervisors of Napa

County is obligated under the laws of the State of California to cause to be levied a tax without limit as to rate or amount upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 Code which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution and in other instruments relating to the Bonds to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$48,515,000
NAPA VALLEY UNIFIED SCHOOL DISTRICT
(Napa County, California)
2013 General Obligation Refunding Bonds

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Napa Valley Unified School District (the "District") in connection with the issuance of \$48,515,000 aggregate principal amount of Napa Valley Unified School District (Napa County, California) 2013 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Education of the District on April 18, 2013 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

"*Dissemination Agent*" means, initially, the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2014 with the report for the 2012-13 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the

preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;
- (ii) pension plan contributions made by the District for the preceding fiscal year;
- (iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;
- (iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;
- (v) the District's total revenue limit for the preceding fiscal year; and
- (vi) current fiscal year assessed valuation of taxable properties in the District.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Initially, Keygent LLC shall serve as the District's appointed Dissemination Agent.

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the

extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate prevents the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: May 29, 2013

**NAPA VALLEY UNIFIED SCHOOL
DISTRICT**

By: _____
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Napa Valley Unified School District

Name of Bond Issue: \$48,515,000 aggregate principal amount of Napa Valley Unified School District (Napa County, California) 2013 General Obligation Refunding Bonds

Date of Issuance: May 29, 2013

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

Dated: _____

_____,
as Dissemination Agent

By: _____
Authorized Officer

Cc: Napa Valley Unified School District

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Refunding Bonds, payment of principal, interest and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Refunding Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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APPENDIX G

NAPA COUNTY INVESTMENT POLICY AND MONTHLY REPORT



A Tradition of Stewardship
A Commitment to Service

NAPA COUNTY
STATEMENT OF INVESTMENT POLICY
EFFECTIVE APRIL 1, 2013

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NAPA COUNTY STATEMENT OF INVESTMENT POLICY

In accordance with the California Government Code and under the authority delegated to the County Treasurer-Tax Collector (Treasurer) by the Board of Supervisors, the following sets forth the investment policy of the County of Napa.

1. POLICY

It is the policy of Napa County to invest all public funds held within its pooled investment fund in a manner which will provide the highest reasonable investment return within the boundaries of maximum security and safety of principal while meeting the daily cash flow demands of all pool participants and conforming to all state and local statutes governing the investment of public funds.

2. SCOPE

This investment policy applies to all financial assets held in the Pooled Investment Fund of the County Treasury. These funds include, but are not limited to the following fund types:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Trust and Agency Funds
- School Funds
- Internal Service Funds
- Debt Service Funds

3. STANDARDS OF CARE

The County Treasurer is considered the Trustee of the Pooled Investment Fund and, therefore, a fiduciary subject to the “prudent investor” standard, which states that:

“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 County Treasurer, the Assistant Treasurer, and the members of the Pooled Investment Oversight Committee shall refrain from all personal business activity that could conflict with the management of the investment program, or that could impair their ability to make

impartial investment decisions. All individuals involved will be required to report all gifts and income in accordance with California State law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in the "Policy".

4. INVESTMENT OBJECTIVES

All funds on deposit with the County Treasurer shall be invested in accordance with the objectives set out by California Government Code Sections 27000.5 and 53600.5 to ensure:

- A. **Safety:** The preservation of capital is the primary objective of the investment program. Each transaction shall seek to ensure that capital losses are avoided, whether they are from securities default or erosion of market value.
- B. **Liquidity:** Secondly, the Pooled Investment Fund should remain sufficiently liquid and flexible to ensure the County Treasurer meets all operating requirements which may be reasonably anticipated in any depositor's funds.
- C. **Yield:** Thirdly, the investment portfolio should be designed with the objective of attaining a reasonable rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of Napa County's portfolio.

5. PARTICIPANTS

Statutory Participants are those government agencies within the County of Napa for which the Napa County Treasurer is statutorily designated as the Custodian of Funds.

Voluntary Participants are other local agencies that may participate in the Pooled Investment Fund, such as Special Districts and Cities, for which the Treasurer is not the statutorily designated Custodian of Funds. Such participation is subject to the consent of the County Treasurer and subject to California Government Code Section 53684. Voluntary Participants must authorize in writing the Napa County Pooled Investment Fund as an investment and must accept the County of Napa's Statement of Investment Policy.

6. DELEGATION OF AUTHORITY

In accordance with California Government Code Sections 27000.1 and 53607, and Napa County Ordinance No. 1103, and in conjunction with its annual adoption of the Investment Policy, the Napa County Board of Supervisors has delegated investment responsibility for the Napa County Pooled Investment Fund to the Treasurer. Such delegation remains in effect until the Board of Supervisors either revokes its delegation of authority by ordinance, or decides not to renew the annual delegation.

The responsibility to execute investment transactions may be further delegated to the Assistant Treasurer-Tax Collector under the direction of the Treasurer.

7. PERMITTED INVESTMENTS AND LIMITS

The investment of money on deposit in the Treasury is limited to those investments specified by California Government Code Sections 53601, et seq.; 53635, et seq.; and 16429.1. As the California Government Code is amended, this Policy shall likewise become amended. The Treasurer may place further restrictions upon the types of investments for which money on deposit in the Treasury may be invested. Permitted investments and investment parameters for the Pooled Investment Fund are:

A. U.S. Treasury Obligations -United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

- | | | |
|----|-------------------------------|-------------|
| 1. | Maximum maturity: | 5 years |
| 2. | Maximum % of portfolio: | not limited |
| 3. | Maximum par value per issuer: | none |
| 4. | Credit: | N/A |

B. U.S. 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.

- | | | |
|----|-------------------------------|-------------|
| 1. | Maximum maturity: | 5 years |
| 2. | Maximum % of portfolio: | not limited |
| 3. | Maximum par value per issuer: | none |
| 4. | Credit: | N/A |

C. Bankers' Acceptances (BA) - (Domestic and Foreign) – Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

1. Maximum maturity: 180 days
2. Maximum % of portfolio: 40%
3. Maximum par value per issuer: 30%
4. Credit: "Prime" quality domestic and foreign Commercial banks

D. Negotiable Certificates of Deposit (CDs) – Negotiable certificates of deposit issued by a nationally or state chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank, including CDs that use a private sector entity that assists in the placement thereof, as allowed by Government Code Sections 53601(i), 53601.8, and 53635.8.

1. Maximum maturity: 5 years
2. Maximum % of portfolio: 30%
3. Maximum par value per issuer: N/A
4. Credit: Must be issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or by a state-licensed branch of a foreign bank, subject to the conflict of interest provision described in the Government Code Section 53601(i).

E. Commercial Paper – Unsecured short-term debt obligations issued by corporations, limited to those issuers as defined in Government Code Sections 53601(h) and 53635 (a).

1. Maximum maturity: 270 days
2. Maximum % of portfolio: 40%
3. Maximum par value per issuer: May not exceed 10% of the outstanding paper of an issuing corporation
4. Credit: Commercial paper must be of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investor Service ("A-1"), Standard & Poor's Financial Services, LLP ("P-1") or Fitch Ratings ("F-1"). Eligible paper is further limited to issuing corporations that are organized and operating within the United States, having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debt other than commercial paper, if any, as provided by Moody's Investors Service (Moody's), Standard & Poor's Financial Services, LLP (S&P), or Fitch Ratings (Fitch).

F. Repurchase Agreements (Repo) – Purchase of securities pursuant to an agreement by which the counter-party seller will repurchase the securities on or before a specified date and for a specified amount.

1. Maximum maturity: 1 year
2. Maximum % of portfolio: none
3. Maximum par value per issuer: N/A
4. Credit: Counterparties will be limited to (i) primary government securities dealers who report daily to the Federal Reserve Bank of New York, or (ii) banks, savings and loan associations or diversified securities broker-dealers subject to regulation of capital standards by any State or Federal regulatory agency. A master repurchase agreement must be in place with the bank or dealer.
5. Collateralization: Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested. Term repos must be marked to market on a regular basis, no less than quarterly. Collateral for term repos must be delivered to the county's custodial agent for safekeeping.

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

1. Maximum maturity: 5 years
2. Maximum % of portfolio: not limited
3. Maximum par value per issuer: N/A
4. Credit: "A" rated or better by Moody's, S&P or Fitch

H. California Local Agency Obligations - Bonds, notes, warrants or other evidence of indebtedness of any local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

1. Maximum maturity: 5 years
2. Maximum % of portfolio: not limited
3. Maximum par value per issuer: N/A
4. Credit: "A" rated or better by Moody's, S&P or Fitch

I. California State Local Agency Investment Pool (LAIF)

- | | | |
|----|-------------------------|--|
| 1. | Maximum maturity: | N/A |
| 2. | Maximum % of portfolio: | N/A |
| 3. | Maximum par value: | Dollar limit set by the state (the limit effective 11/16/2009 is \$50,000,000) |
| 4. | Credit: | N/A |

J. Medium Term Notes – all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

- | | | |
|----|------------------------------|---|
| 1. | Maximum maturity | 5 years |
| 2. | Maximum % of portfolio | 30% |
| 3. | Maximum par value per issuer | N/A |
| 4. | Credit | “A” rated or better by Moody’s, S&P or Fitch and issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. |

8. COMPETITIVE TRANSACTIONS

On all instruments purchased on the secondary market, the Treasurer shall obtain competitive bid information from at least two separate brokers and/or financial institutions or through the use of a nationally recognized trading platform.

9. SAFEKEEPING AND CUSTODY

All trades of marketable securities will be executed on a delivery vs. payment (DVP) basis, and held by the third-party custodian designated by the Treasurer. Non-marketable securities, such as non-negotiable C/D’s and notes of local agencies, may be held in the Treasurer’s safe.

10. BROKERS AND FINANCIAL INSTITUTIONS

A list will be maintained of approved broker/dealers and financial institutions authorized to provide investment services to the Napa County Pooled Investment Fund.

Approved security broker/dealers will be selected by conducting a process of due diligence. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

The Treasurer shall determine which financial institutions are authorized to provide investment services to the Napa County Pooled Investment Fund. Institutions eligible to transact investment business include:

- Primary government dealers as designated by the Federal Reserve Bank;
- Nationally or state-chartered banks;
- The Federal Reserve Bank;
- Direct issuers of securities eligible for purchase.

Selection of broker/dealers and financial institutions authorized to engage in transactions with the Napa County Pooled Investment Fund shall be at the sole discretion of the Treasurer. The Treasurer will monitor the financial condition, certification, and registration of approved firms and employees on an annual basis.

In accordance with California Government Code Section 27133(c), any broker, brokerage, dealer, or securities firm that has exceeded the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, within any consecutive 48-month period, to the County Treasurer or any member of the governing board of the local agency or any candidate for those offices, is disqualified for selection.

11. HONORARIA, GIFTS AND GRATUITIES

With respect to honoraria, gifts and gratuities, the County Treasurer, the Assistant Treasurer, and any member of the Oversight Committee are subject to California law and the limits set forth by the California Fair Political Practices Commission. The County Treasurer, the Assistant Treasurer, and each member of the Oversight Committee, shall file an annual Statement of Economic Interests (CA Form 700) with the Elections Division of the Napa County Assessor-Clerk-Recorder's Office.

12. WITHDRAWALS

A. For **Statutory Participants**, the County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Napa County Auditor-Controller at a one-dollar net asset value. Pursuant to California Government Code Section 27136, any Statutory Participant that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool shall submit a written request for withdrawal to the County Treasurer for approval. When determining whether to approve the withdrawal request, the County Treasurer will consider any adverse effects such a withdrawal would have on the Pooled Investment Fund, its yield or its participants. The County Treasurer will also assess the effect of the proposed withdrawal on the stability and predictability of the investments in the

County treasury. Any withdrawal for such purposes may be paid based upon the market value of the Pooled Investment Fund as of the date of withdrawal.

B. For **Voluntary Participants**, where the County Treasurer is not the statutorily designated Custodian of Funds and their Board of Directors has adopted the Napa County Investment Policy, any withdrawal request shall be submitted in writing to the County Treasurer, who will determine the timing of the payout (normally within 48 hours), in order to mitigate any adverse effects such a withdrawal would have on the Pooled Investment Fund, its yield or its participants. Withdrawals may be paid based upon the market value of the Pooled Investment Fund as of the date of the withdrawal. Withdrawals will generally be limited to once per week and will be paid by wire transfer. The withdrawing entity will be billed for any wire transfer(s) initiated on its behalf.

13. SPECIAL INVESTMENTS

Napa County operates a Pooled Investment Portfolio. All monies from all units of government, schools, agencies, and districts deposited into the treasury are combined into one pool. The purpose of the combined pool is to increase the participants' liquidity and not limit them to specific investments. This pool is invested as a unit based on a calculated combined cash flow of all the participants. No exceptions to the combined pool are allowed and no special investment is permitted for any agency.

14. APPORTIONMENT OF INTEREST AND COSTS

Interest 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. The amount of interest apportioned shall be determined using the cash method of accounting whereby interest will be apportioned for the quarter in which it was actually received. The Treasurer shall deduct from the gross interest received those administrative costs related to investing, depositing or handling of funds and of distribution of such interest or income, including salaries and other compensation, banking costs, equipment purchased, supplies, costs of information services, audits, Oversight Committee costs and any other costs as provided by Government Code Section 27013. Such cost reimbursement shall be paid into the County's general fund.

15. 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.

16. REPORTING

The Napa County Treasurer will provide the following:

Monthly, an investment report to the Treasury Oversight Committee, the Board of Supervisors, and any participating agency making such a request in writing. The report shall include all of the elements as required by California Government Code Section 53646(b).

Annually, a statement of investment policy to the Board of Supervisors for approval; and to the Treasury Oversight Committee or any participating agency (making such a request in writing) for review and monitoring.

17. SOCIAL ISSUES/RESPONSIBILITY

Issues of public social concern and benefit will be evaluated on a case by case basis. While consideration will be given to various social concerns, transactions must meet the Policy objectives of safety, liquidity, and yield when compared to investments permitted by state law.

Any decision to conduct financial transactions with an entity shall be made exercising the care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs.

FINAL NOTE: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

18. GLOSSARY OF SELECTED INVESTMENT TERMINOLOGY

ACCRUED INTEREST: Coupon interest accumulated on a bond or note since the last interest payment or, for a new issue, from the dated date to the date of delivery.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINTS: Refers to the yield on bonds. Each percentage point of yield in bonds equals 100 basis points (1/100% or 0.01%). If a bond yield changes from 4.20% to 4.25%, that is a change of 5 basis points.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities (when you are selling securities, you ask for a bid).

BROKER: A person or firm that acts as an intermediary by purchasing and selling securities for others rather than for its own account.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZATION: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMMERCIAL PAPER: An unsecured short-term promissory note issued by corporation, with maturities ranging from 2 to 270 days.

COUPON: (a) The annual rate of interest that a bond's issuer promised to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange

of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVE: Securities that are based on, or derived from, some underlying asset, reference date, or index.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, *e.g.* U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, *e.g.* S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institution, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. GNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. GNMA's securities are also highly liquid and are widely accepted. GNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchase and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FmHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold at a particular point in time.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer/lender to liquidate the underlying securities in the event of default by the seller/borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities you ask for an offer.)

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE or PRUDENT INVESTOR STANDARD: A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, re-investing, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent

person acting in such a situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

REPURCHASE AGREEMENT (REPO): An agreement of one party (for example, a financial institution) to sell securities to a second party (such as a local agency) and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

REVERSE REPURCHASE AGREEMENT: The mirror of a repurchase agreement. An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transaction by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, GNMA, SLMA, etc.) and Corporations, which have imbedded options (*e.g.*, call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options, and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the securities current price.



A Tradition of Stewardship
A Commitment to Service

**Treasurer – Tax Collector
Central Collections**

1195 Third St.
Suite 108
Napa, CA 94559
www.co.napa.ca.us

Main: (707) 253-4320
Fax: (707) 253-4337

Tamie R Frasier
Treasurer – Tax Collector

April 12, 2013

Board of Supervisors
1195 Third Street
Napa, CA 94559

Dear Honorable Board Members:

I hereby submit the attached Treasurer's Monthly Investment Report for MARCH 2013 for your information. In accordance with Government Code Section 53646 (b) (4), this report includes a listing of the investments in the treasury's portfolio.

As required by Government Code Section 53646 (b) (2), I hereby state that the investments in the treasury's portfolio are in compliance with the Treasurer's Investment Policy.

Furthermore, as required by Government Code Section 53646 (b) (3), I hereby state that the treasury has sufficient funds available to meet projected expenditures for the next six months.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Tamie R. Frasier".

Tamie R. Frasier
Napa County Treasurer-Tax Collector

cc: County Executive Officer: Nancy Watt
County Auditor-Controller: Tracy Schulze



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Tamle R Frasier
Treasurer – Tax Collector

TREASURY OVERSIGHT COMMITTEE

Chairperson:

Mark Luce
Member, Board of Supervisors, District 2
County of Napa

Current Members:

Tracy Schulze
Auditor-Controller
County of Napa

Barbara Nemko
Superintendent of Schools
Napa County Office of Education

Jill Techel
Mayor, City of Napa
Representing: Special Districts

vacant
Representing: Napa County Schools

MONTHLY
INVESTMENT
REPORT

March 31, 2013

TAMIE R. FRASIER
NAPA COUNTY TREASURER-TAX COLLECTOR



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RELATIONSHIP TO POLICY

All investments are consistent with the County Investment Policy. There is sufficient liquidity to cover all anticipated cash flow needs of the pool participants for the next 6 months.

1. Safety - There are no "at risk" investments in the portfolio during this reporting period.
2. Liquidity - 25.3% of the portfolio matures within 90 days.
\$41,500,000.00 are available on a daily basis and \$453,764,368.88 could be liquidated at a profit.
3. Maximization - Interest maximization is consistent with safety, liquidity and cash flow considerations.

There were no "when issued" trades nor were there any swaps of securities.
There were no reverse repurchase agreements or securities lending transactions.

The average weighted days to maturity was 311 days.
The effective rate of return for this period was 0.44%

Investment instruments used during the month of March 2013 were :
Agencies of the Federal Government, US Treasury Notes,
TEETER Notes, LAIF, and Certificates of Deposit.

YEAR TO DATE COMPARISONS

A comparison of the Investment Portfolios of March 2012 with that of March 2013.

	March 2012	March 2013
Time Bank Deposits	100,000.00	100,000.00
LAIF (Local Agencies Invst Fund)	50,000,000.00	41,500,000.00
Corporate Notes	12,013,045.28	0.00
Federal Agency Securities	422,743,388.34	410,675,000.00
Treasury Notes	21,981,621.02	43,000,000.00
TEETER Notes	9,515,672.96	9,120,666.67
Sweep - Overnight	0.00	0.00
	<hr/>	<hr/>
TOTAL	516,353,727.60	504,395,666.67

A comparison of interest received during the month of March 2012 with that of March 2013.

	March 2012	March 2013
Interest on Time Deposits	0.00	0.00
Interest of LAIF	0.00	0.00
Interest on Corporate Notes	57,067.50	0.00
Interest on Federal Agency Securities	0.00	172,910.40
Interest on Treasury Notes	298,746.57	0.00
Interest on Teeter Notes	0.00	0.00
Interest on Sweep	68.54	0.00
Interest on Trust Account	624.55	197.81
	<hr/>	<hr/>
TOTAL	356,507.16	173,108.21

A comparison of the cumulative interest received in the period of July 1, 2011 through June 30, 2012 with that of July 1, 2012 through June 30, 2013.

	2011-12	2012-13
Interest on Time Deposits	250.00	75.00
Interest on LAIF	106,141.83	125,915.86
Interest on Corporate Notes	323,392.50	63,184.72
Interest on Federal Agency Securities	1,470,565.70	1,513,761.86
Interest on Treasury Notes	323,920.87	40,983.05
Interest on Teeter Notes	180,783.94	132,808.87
Interest on Sweep	5,153.32	0.00
Interest on Trust Account	2,639.07	1,091.73
	<hr/>	<hr/>
TOTAL	2,412,847.23	1,877,821.09



A Tradition of Stewardship
A Commitment to Service

NAPA COUNTY **Portfolio Management** **Portfolio Summary** **March 31, 2013**

Napa County
1195 Third Street
suite 108
Napa, CA 94559
(707)253-4320

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 365 Equiv.
Time Deposit - Bank	100,000.00	100,000.00	100,000.00	0.02	180	48	0.150
LAIF	41,500,000.00	41,500,000.00	41,500,000.00	8.23	1	1	0.348
Federal Agency Coupon Securities	249,100,000.00	249,269,885.00	249,108,810.00	49.40	1,382	491	0.743
Federal Agency Disc. -At Cost	161,575,000.00	161,516,332.11	161,467,377.55	32.02	198	110	0.124
Treasury Discounts -At Cost	43,000,000.00	42,978,148.00	42,966,778.67	8.52	229	120	0.122
Teeter Notes	9,120,666.67	9,120,666.67	9,120,666.67	1.81	1,826	1,250	1.087
	504,395,666.67	504,485,031.78	504,263,632.89	100.00%	798	311	0.466

Cash and Accrued Interest

Accrued Interest at Purchase		8,552.22	8,552.22				
Ending Accrued Interest		528,780.61	528,780.61				
Subtotal		537,332.83	537,332.83				
Total Cash and Investments Value	504,395,666.67	505,022,364.61	504,800,965.72		798	311	0.466

Total Earnings	March 31 Month Ending	Fiscal Year To Date
Current Year	185,237.76	1,741,289.72
Average Daily Balance	497,876,471.54	465,398,485.71
Effective Rate of Return	0.44%	0.50%

I certify

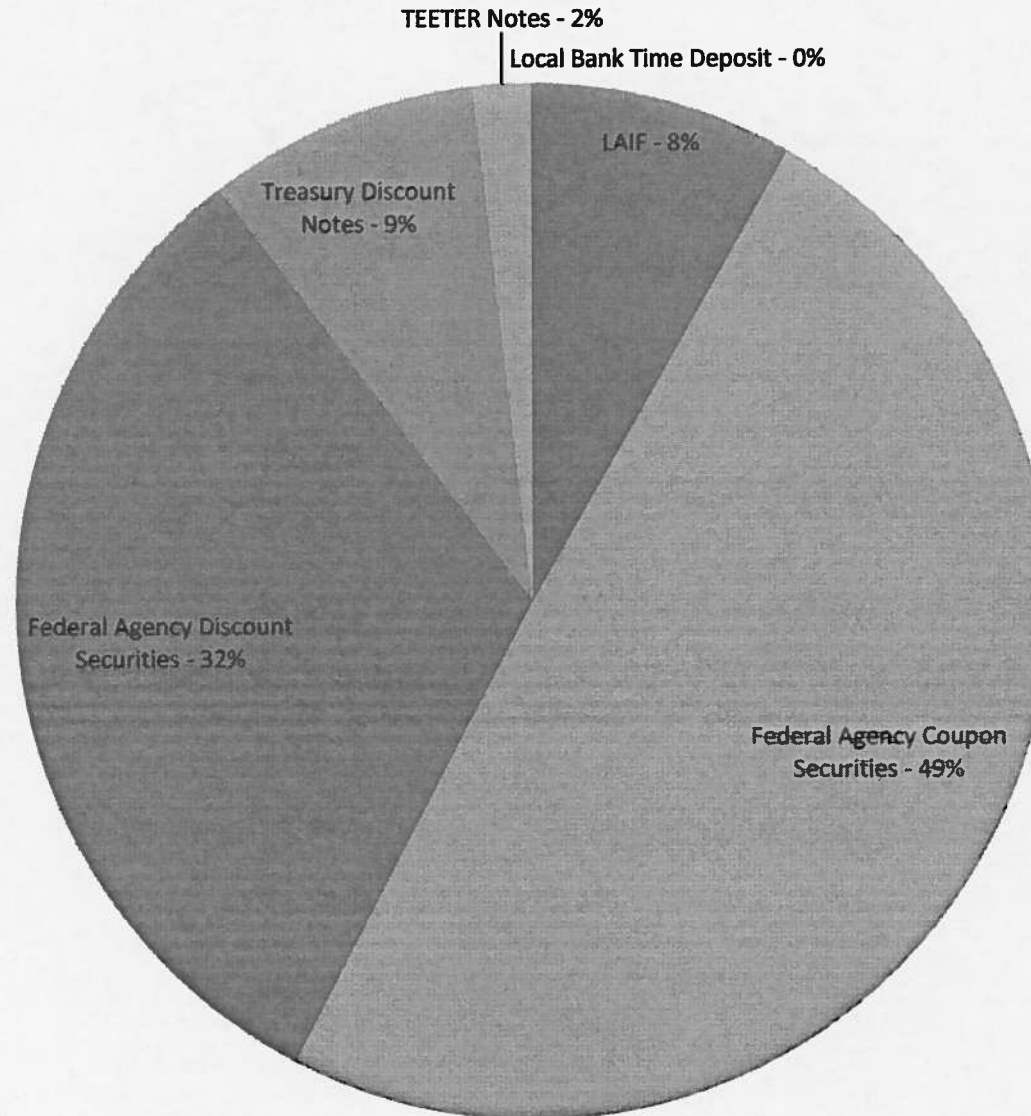
Tamie R. Frasier, Trasurer-Tax Collector

4/15/2013

NAPA COUNTY
Portfolio Management
Portfolio Summary

Napa County
1195 Third Street
suite 108
Napa, CA 94559
(707)253-4320

Book Value by Investment Type





A Tradition of Stewardship
A Commitment to Service

NAPA COUNTY **Aging Report** **By Maturity Date** **As of March 31, 2013**

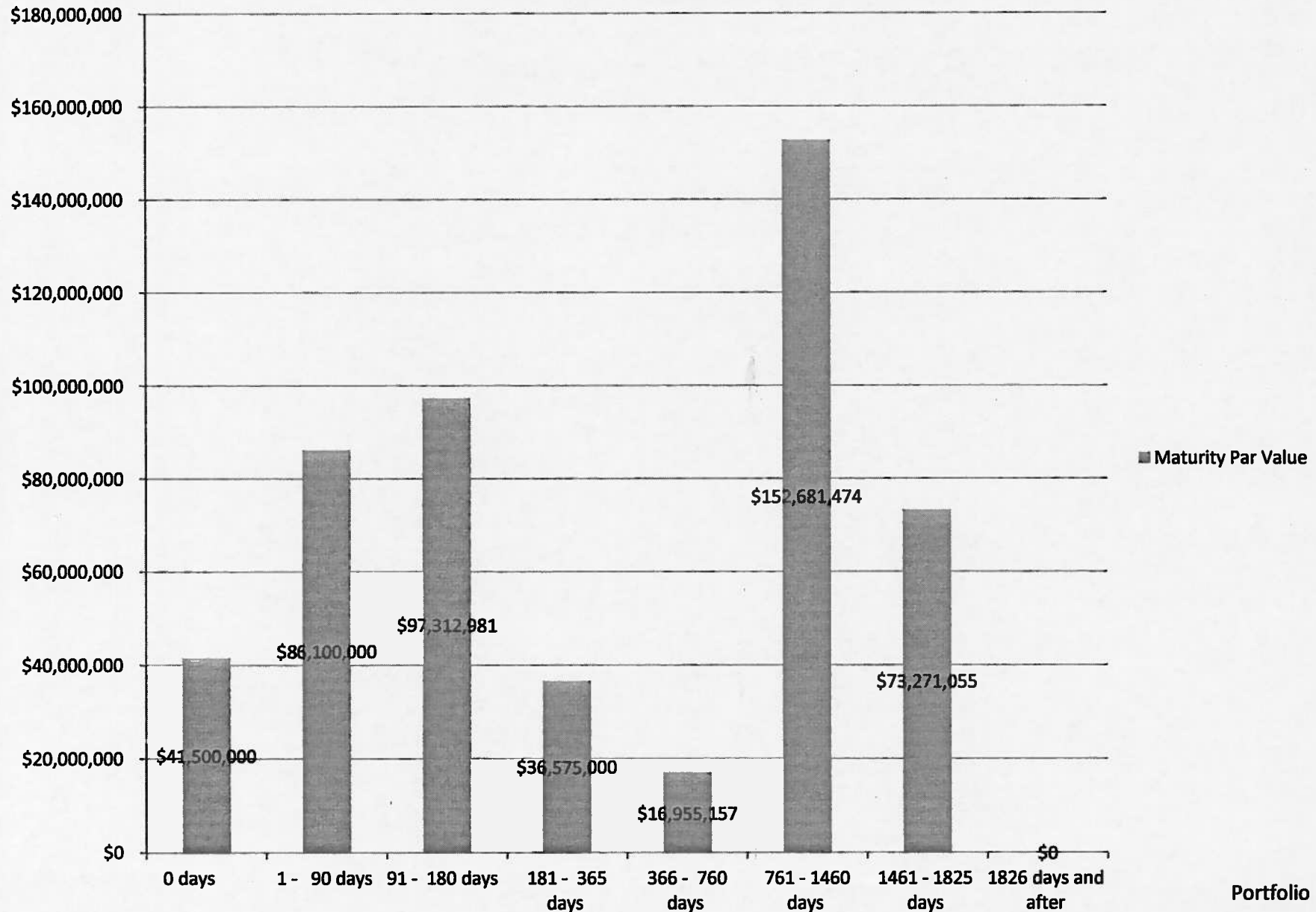
Napa County
1195 Third Street
suite 108
Napa, CA 94559
(707)253-4320

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(03/31/2013 - 03/31/2013)	1 Maturities	0 Payments	41,500,000.00	8.23%	41,500,000.00	41,500,000.00
Aging Interval:	1 - 90 days	(04/01/2013 - 06/29/2013)	23 Maturities	0 Payments	86,100,000.00	17.07%	86,043,399.51	86,067,379.20
Aging Interval:	91 - 180 days	(06/30/2013 - 09/27/2013)	26 Maturities	0 Payments	97,312,980.89	19.29%	97,291,992.60	97,293,528.23
Aging Interval:	181 - 365 days	(09/28/2013 - 03/31/2014)	9 Maturities	0 Payments	36,575,000.00	7.25%	36,549,215.00	36,569,265.28
Aging Interval:	366 - 760 days	(04/01/2014 - 04/30/2015)	6 Maturities	0 Payments	16,955,156.97	3.36%	16,952,156.97	16,974,256.97
Aging Interval:	761 - 1460 days	(05/01/2015 - 03/30/2017)	45 Maturities	0 Payments	152,681,473.81	30.27%	152,661,813.81	152,721,114.71
Aging Interval:	1461 - 1825 days	(03/31/2017 - 03/30/2018)	19 Maturities	0 Payments	73,271,055.00	14.53%	73,265,055.00	73,272,909.80
Aging Interval:	1826 days and after	(03/31/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			129 Investments	0 Payments		100.00	504,263,632.89	504,398,454.19

NAPA COUNTY
Aging Report
By Maturity Date

Napa County
1195 Third Street
suite 108
Napa, CA 94559
(707)253-4320

Investments within the Aging Period



NAPA COUNTY
Portfolio Management
Portfolio Details - Investments
March 31, 2013

Page 1

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 360	YTM/C 365	Days to Maturity	Maturity Date
Time Deposit - Bank												
TCD051713	10579	Umpqua Bank		11/18/2012	100,000.00	100,000.00	100,000.00	0.150	0.148	0.150	46	05/17/2013
Subtotal and Average			100,000.00		100,000.00	100,000.00	100,000.00		0.148	0.150	46	
LAIF												
LAIF	LAIF	State of California			41,500,000.00	41,500,000.00	41,500,000.00	0.348	0.343	0.348	1	
Subtotal and Average			48,145,161.29		41,500,000.00	41,500,000.00	41,500,000.00		0.343	0.348	1	
Federal Agency Coupon Securities												
31331GS83	10091	Federal Farm Credit Bank		10/02/2009	3,000,000.00	3,032,040.00	3,034,200.00	2.350	2.022	2.050	175	09/23/2013
31331KF98	10244	Federal Farm Credit Bank		10/14/2011	3,000,000.00	3,020,480.00	3,000,000.00	0.700	0.690	0.700	561	10/14/2014
3133EACR7	10355	Federal Farm Credit Bank		02/29/2012	3,000,000.00	2,999,850.00	2,997,000.00	0.420	0.451	0.457	585	11/07/2014
3133EAKR8	10380	Federal Farm Credit Bank		04/09/2012	3,000,000.00	2,999,640.00	3,000,000.00	0.640	0.631	0.640	8	04/09/2015
3133EALA4	10389	Federal Farm Credit Bank		04/11/2012	3,000,000.00	3,000,840.00	3,000,000.00	1.040	1.026	1.040	10	04/11/2016
3133EAKP2	10398	Federal Farm Credit Bank		04/04/2012	3,000,000.00	2,997,240.00	3,000,000.00	1.380	1.341	1.380	3	04/04/2017
3133EALD8	10402	Federal Farm Credit Bank		04/18/2012	3,000,000.00	3,000,390.00	3,000,000.00	0.410	0.404	0.410	15	04/18/2014
3133EADW5	10403	Federal Farm Credit Bank		04/18/2012	3,000,000.00	3,004,687.50	2,998,500.00	0.550	0.557	0.565	868	08/17/2015
3133EAPP7	10405	Federal Farm Credit Bank		05/09/2012	3,000,000.00	3,002,280.00	3,000,000.00	0.900	0.888	0.900	38	05/09/2016
3133EAUK2	10409	Federal Farm Credit Bank		06/19/2012	3,000,000.00	3,002,610.00	3,000,000.00	0.580	0.552	0.580	78	06/18/2015
3133EAXU7	10415	Federal Farm Credit Bank		07/16/2012	3,000,000.00	3,000,090.00	3,000,000.00	0.570	0.562	0.570	928	10/16/2015
3133EAYQ5	10416	Federal Farm Credit Bank		07/23/2012	3,000,000.00	3,004,140.00	3,000,000.00	0.710	0.700	0.710	109	07/19/2016
3133EAZG6	10417	Federal Farm Credit Bank		07/23/2012	3,000,000.00	3,000,150.00	3,000,000.00	0.800	0.789	0.800	1,332	11/23/2016
3133EAA24	10419	Federal Farm Credit Bank		07/26/2012	3,000,000.00	3,000,120.00	3,000,000.00	0.730	0.720	0.730	1,212	07/26/2016
3133EAN53	10423	Federal Farm Credit Bank		08/22/2012	3,000,000.00	3,007,031.10	3,000,000.00	0.830	0.819	0.830	143	08/22/2016
3133EAV39	10434	Federal Farm Credit Bank		09/17/2012	3,000,000.00	3,002,310.00	3,000,000.00	0.480	0.473	0.480	189	09/17/2015
3133EAX29	10437	Federal Farm Credit Bank		09/18/2012	4,000,000.00	4,006,040.00	4,000,000.00	0.980	1.069	1.084	1,631	09/18/2017
3133EAZ76	10440	Federal Farm Credit Bank		09/26/2012	3,000,000.00	3,006,360.00	3,000,000.00	0.690	0.681	0.690	178	09/26/2016
3133EA3K2	10547	Federal Farm Credit Bank		10/11/2012	4,000,000.00	4,000,160.00	4,000,000.00	0.620	0.612	0.620	1,289	10/11/2016
3133EA4B1	10550	Federal Farm Credit Bank		10/16/2012	4,000,000.00	4,000,080.00	4,000,000.00	0.440	0.434	0.440	928	10/16/2015
3133EA5W4	10558	Federal Farm Credit Bank		10/24/2012	4,000,000.00	3,997,240.00	4,000,000.00	0.650	0.641	0.650	1,302	10/24/2016
3133EA8P8	10574	Federal Farm Credit Bank		11/05/2012	4,000,000.00	4,005,520.00	4,000,000.00	0.500	0.493	0.500	218	11/05/2015
3133EC2L7	10577	Federal Farm Credit Bank		11/13/2012	4,000,000.00	4,002,200.00	4,000,000.00	0.440	0.434	0.440	228	11/13/2015
3133EC3U6	10583	Federal Farm Credit Bank		11/21/2012	4,000,000.00	4,000,040.00	4,000,000.00	0.280	0.276	0.280	50	11/21/2014
3133EA3E6	10589	Federal Farm Credit Bank		10/04/2012	3,000,000.00	3,000,090.00	3,000,000.00	0.480	0.473	0.480	1,008	01/04/2016
3133EC5B6	10592	Federal Farm Credit Bank		11/29/2012	4,000,000.00	3,998,720.00	4,000,000.00	0.640	0.631	0.640	242	11/29/2016
3133EC5B6	10593	Federal Farm Credit Bank		11/29/2012	3,000,000.00	2,999,040.00	3,000,000.00	0.640	0.631	0.640	242	11/29/2016
3133EC8F6	10596	Federal Farm Credit Bank		12/05/2012	4,000,000.00	4,000,440.00	4,000,000.00	0.350	0.345	0.350	791	06/01/2015

Data Updated: SET_0012: 04/11/2013 14:59

Run Date: 04/11/2013 - 14:59

Portfolio NAPA
CP
PM (PRF_PM2) 7.3.0

Report Ver. 7.3.3b

NAPA COUNTY
Portfolio Management
Portfolio Details - Investments
March 31, 2013

Page 2

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 360	YTM/C 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3133EC5L4	10597	Federal Farm Credit Bank		12/05/2012	4,000,000.00	3,990,720.00	4,000,000.00	0.770	0.759	0.770	1,526	06/05/2017
3133ECA61	10608	Federal Farm Credit Bank		12/18/2012	4,000,000.00	3,996,520.00	4,000,000.00	0.320	0.316	0.320	808	06/18/2015
3133ECAQ7	10609	Federal Farm Credit Bank		12/19/2012	4,000,000.00	3,996,200.00	4,000,000.00	0.540	0.533	0.540	1,267	09/19/2016
3133ECAQ7	10623	Federal Farm Credit Bank		12/24/2012	4,000,000.00	3,996,200.00	3,996,000.00	0.540	0.559	0.567	1,267	09/19/2016
3133ECB45	10626	Federal Farm Credit Bank		12/26/2012	4,000,000.00	3,991,874.80	4,000,000.00	0.900	0.888	0.900	269	12/26/2017
3133ECBN3	10629	Federal Farm Credit Bank		12/27/2012	4,000,000.00	3,999,480.00	4,000,000.00	0.850	0.841	0.850	270	12/27/2016
3133ECBM5	10634	Federal Farm Credit Bank		01/07/2013	4,000,000.00	4,003,280.00	4,000,000.00	0.480	0.454	0.480	281	01/07/2016
3133ECDZ4	10645	Federal Farm Credit Bank		02/01/2013	4,000,000.00	4,000,320.00	4,000,000.00	0.500	0.493	0.500	30	08/01/2016
3133ECEW0	10647	Federal Farm Credit Bank		02/06/2013	4,000,000.00	4,003,750.00	4,000,000.00	1.160	1.144	1.160	35	02/06/2018
3133ECEK6	10648	Federal Farm Credit Bank		02/06/2013	4,000,000.00	3,999,720.00	4,000,000.00	0.780	0.769	0.780	1,407	02/06/2017
3133ECG65	10655	Federal Farm Credit Bank		02/25/2013	3,000,000.00	3,004,920.00	3,000,000.00	0.500	0.493	0.500	330	02/25/2016
3133ECGC2	10656	Federal Farm Credit Bank		02/26/2013	4,000,000.00	4,011,000.00	4,000,000.00	1.080	1.065	1.080	331	02/26/2016
3133ECGF5	10660	Federal Farm Credit Bank		03/04/2013	700,000.00	702,086.00	700,000.00	0.800	0.789	0.800	332	02/27/2017
3133ECHB3	10662	Federal Farm Credit Bank		03/07/2013	4,000,000.00	4,000,520.00	4,000,000.00	0.450	0.444	0.450	340	03/07/2016
3133ECGC2	10664	Federal Farm Credit Bank		03/13/2013	4,000,000.00	4,011,000.00	4,000,000.00	1.080	1.065	1.080	331	02/26/2018
313373KZ4	10078	Federal Home Loan Bank		04/29/2011	3,000,000.00	3,017,970.00	3,000,000.00	1.070	1.055	1.070	242	11/29/2013
313376JE6	10280	Federal Home Loan Bank		12/12/2011	3,000,000.00	3,001,230.00	3,003,270.00	0.375	0.296	0.300	59	05/30/2013
313376WG6	10318	Federal Home Loan Bank		01/26/2012	3,000,000.00	3,001,470.00	3,000,000.00	0.280	0.276	0.280	116	07/26/2013
313378ED9	10367	Federal Home Loan Bank		03/09/2012	3,000,000.00	3,002,343.60	3,000,000.00	0.310	0.308	0.310	161	09/09/2013
3133813R4	10576	Federal Home Loan Bank		11/09/2012	4,000,000.00	4,004,280.00	4,000,000.00	1.000	0.988	1.000	38	11/09/2017
313381B53	10610	Federal Home Loan Bank		12/20/2012	4,000,000.00	3,998,200.00	3,997,840.00	0.580	0.588	0.584	1,323	11/14/2016
313380B63	10624	Federal Home Loan Bank		12/24/2012	4,000,000.00	4,001,280.00	4,000,000.00	0.625	0.616	0.625	45	08/16/2017
3133813R4	10630	Federal Home Loan Bank		12/28/2012	3,000,000.00	3,003,210.00	3,000,000.00	1.000	0.988	1.000	38	11/09/2017
313381MR3	10631	Federal Home Loan Bank		12/28/2012	4,000,000.00	4,003,000.00	4,000,000.00	0.550	0.542	0.550	88	06/28/2016
313381LC7	10632	Federal Home Loan Bank		12/28/2012	4,000,000.00	3,986,480.00	4,000,000.00	0.950	0.937	0.950	88	12/28/2017
3133822M4	10654	Federal Home Loan Bank		02/22/2013	4,000,000.00	4,002,280.00	4,000,000.00	1.250	1.233	1.250	21	02/22/2018
3134G24E9	10263	Federal Home Loan Mtg Corp		11/17/2011	3,000,000.00	3,003,540.00	3,000,000.00	1.200	1.184	1.200	48	11/17/2015
3134G3DZ0	10287	Federal Home Loan Mtg Corp		12/14/2011	3,000,000.00	3,004,080.00	3,000,000.00	1.250	1.233	1.250	1,170	08/14/2016
3134G3SE1	10375	Federal Home Loan Mtg Corp		03/29/2012	3,400,000.00	3,421,522.00	3,400,000.00	1.000	0.988	1.000	354	03/21/2016
3134G3N48	10548	Federal Home Loan Mtg Corp		10/11/2012	4,000,000.00	4,004,240.00	4,000,000.00	0.500	0.535	0.542	193	01/11/2016
3134G3Y38	10587	Federal Home Loan Mtg Corp		11/27/2012	3,000,000.00	2,983,920.00	3,000,000.00	0.900	0.977	0.991	1,701	11/27/2017
3134G32R0	10622	Federal Home Loan Mtg Corp		12/24/2012	4,000,000.00	3,997,200.00	4,000,000.00	0.400	0.395	0.400	176	09/24/2015
3134G33X6	10637	Federal Home Loan Mtg Corp		01/15/2013	4,000,000.00	4,001,840.00	4,000,000.00	0.500	0.493	0.500	289	01/15/2016
3135G0HK2	10349	Federal National Mtg Assn		03/01/2012	3,000,000.00	3,013,410.00	2,988,000.00	0.800	0.890	0.903	329	02/24/2016
3136G0SF9	10418	Federal National Mtg Assn		07/25/2012	3,000,000.00	3,004,590.00	3,000,000.00	0.500	1.085	1.080	115	01/25/2017
3135G0RK1	10575	Federal National Mtg Assn		11/07/2012	4,000,000.00	4,003,600.00	3,994,000.00	0.900	0.918	0.931	36	11/07/2017

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 360	YTM/C 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3138G04M0	10582	Federal National Mtg Assn		11/21/2012	3,000,000.00	3,008,640.00	3,000,000.00	0.750	0.740	0.750	234	11/21/2016
3138G05S6	10594	Federal National Mtg Assn		11/30/2012	4,000,000.00	4,003,720.00	4,000,000.00	0.900	0.992	1.006	59	08/30/2017
3135GOTV5	10644	Federal National Mtg Assn		01/30/2013	4,000,000.00	3,999,760.00	4,000,000.00	1.030	1.123	1.138	1,765	01/30/2018
3135GOTY9	10850	Federal National Mtg Assn		02/15/2013	4,000,000.00	4,004,240.00	4,000,000.00	0.800	0.592	0.600	1,232	08/15/2016
3138G1GJ2	10671	Federal National Mtg Assn		03/27/2013	4,000,000.00	3,995,440.00	4,000,000.00	0.850	0.838	0.850	179	08/27/2017
3138G1HD4	10673	Federal National Mtg Assn		03/28/2013	4,000,000.00	3,999,400.00	4,000,000.00	0.750	0.740	0.750	361	03/28/2017
3138G1HC8	10674	Federal National Mtg Assn		03/28/2013	4,000,000.00	4,001,600.00	4,000,000.00	0.850	1.152	1.168	361	03/28/2018
Subtotal and Average			239,492,680.97		249,100,000.00	249,269,885.00	249,108,810.00		0.733	0.743	491	
Federal Agency Disc. -At Cost												
313385EZ5	10439	Federal Home Loan Bank		09/20/2012	4,000,000.00	3,997,132.00	3,996,793.33	0.130	0.131	0.133	29	04/30/2013
313385FZ4	10557	Federal Home Loan Bank		10/23/2012	4,000,000.00	3,997,230.80	3,996,866.67	0.140	0.142	0.144	53	05/24/2013
313385FA9	10570	Federal Home Loan Bank		10/29/2012	4,000,000.00	3,997,444.40	3,997,137.78	0.140	0.142	0.144	30	05/01/2013
313385GP5	10584	Federal Home Loan Bank		11/26/2012	4,000,000.00	3,997,680.00	3,996,997.78	0.140	0.141	0.143	67	06/07/2013
313385HT6	10602	Federal Home Loan Bank		12/11/2012	4,000,000.00	3,997,771.60	3,997,024.44	0.130	0.132	0.133	95	07/05/2013
313385HL3	10604	Federal Home Loan Bank		12/13/2012	3,000,000.00	2,998,549.80	2,998,030.00	0.120	0.121	0.123	88	08/28/2013
313385JV9	10606	Federal Home Loan Bank		12/17/2012	5,000,000.00	4,997,522.00	4,996,547.00	0.110	0.111	0.113	121	07/31/2013
313385JW7	10607	Federal Home Loan Bank		12/17/2012	5,000,000.00	4,997,050.00	4,996,216.67	0.120	0.122	0.123	122	08/01/2013
313385FX9	10617	Federal Home Loan Bank		12/21/2012	4,000,000.00	3,998,710.00	3,998,480.00	0.090	0.090	0.091	51	05/22/2013
313385JH0	10618	Federal Home Loan Bank		12/21/2012	3,000,000.00	2,998,618.20	2,998,250.00	0.100	0.101	0.103	109	07/19/2013
313385GL4	10625	Federal Home Loan Bank		12/26/2012	4,000,000.00	3,998,551.60	3,998,222.22	0.100	0.100	0.101	64	06/04/2013
313385JV9	10628	Federal Home Loan Bank		12/27/2012	4,000,000.00	3,998,017.60	3,997,600.00	0.100	0.101	0.103	121	07/31/2013
313385JX5	10635	Federal Home Loan Bank		01/14/2013	4,000,000.00	3,998,098.80	3,997,555.56	0.110	0.111	0.112	123	08/02/2013
313385JQ0	10639	Federal Home Loan Bank		01/25/2013	4,000,000.00	3,998,508.40	3,997,977.78	0.100	0.100	0.101	116	07/26/2013
313385KC9	10651	Federal Home Loan Bank		02/19/2013	3,000,000.00	2,998,908.30	2,998,591.67	0.100	0.100	0.101	128	08/07/2013
313385KM7	10652	Federal Home Loan Bank		02/19/2013	4,000,000.00	3,998,464.40	3,998,022.22	0.100	0.100	0.101	137	08/16/2013
313385KU9	10661	Federal Home Loan Bank		01/28/2013	4,000,000.00	3,998,110.00	3,997,470.00	0.110	0.111	0.112	144	08/23/2013
313385LV8	10665	Federal Home Loan Bank		03/18/2013	3,000,000.00	2,998,623.30	2,998,475.00	0.100	0.102	0.104	169	09/17/2013
313385MV5	10668	Federal Home Loan Bank		03/26/2013	4,000,000.00	3,998,013.20	3,997,788.89	0.100	0.102	0.104	193	10/11/2013
313385MK9	10669	Federal Home Loan Bank		03/27/2013	2,575,000.00	2,573,779.71	2,573,655.28	0.100	0.102	0.104	183	10/01/2013
313397EV9	10555	Federal Home Loan Mtg Corp		10/19/2012	3,000,000.00	2,999,970.00	2,997,795.00	0.140	0.142	0.144	25	04/26/2013
313397FK2	10581	Federal Home Loan Mtg Corp		10/25/2012	4,000,000.00	3,999,800.00	3,996,718.87	0.150	0.152	0.154	39	05/10/2013
313397FP1	10612	Federal Home Loan Mtg Corp		10/26/2012	4,000,000.00	3,999,760.00	3,996,866.67	0.150	0.152	0.154	43	05/14/2013
313397ET4	10614	Federal Home Loan Mtg Corp		11/20/2012	4,000,000.00	3,999,960.00	3,997,588.89	0.140	0.140	0.142	23	04/24/2013
313397JH5	10627	Federal Home Loan Mtg Corp		12/27/2012	4,000,000.00	3,999,280.00	3,997,506.67	0.110	0.111	0.113	109	07/19/2013
313397MF5	10653	Federal Home Loan Mtg Corp		02/21/2013	4,000,000.00	3,998,200.00	3,996,487.78	0.145	0.146	0.148	179	09/27/2013

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 360	YTM/C 365	Days to Maturity	Maturity Date
Federal Agency Disc. -At Cost												
313397NR8	10866	Federal Home Loan Mtg Corp		03/19/2013	5,000,000.00	4,997,350.00	4,996,233.33	0.120	0.122	0.124	213	10/31/2013
313397NK3	10867	Federal Home Loan Mtg Corp		03/19/2013	3,000,000.00	2,998,440.00	2,997,800.00	0.120	0.122	0.124	207	10/25/2013
313397NB3	10870	Federal Home Loan Mtg Corp		03/27/2013	4,000,000.00	3,998,000.00	3,997,733.33	0.100	0.102	0.104	199	10/17/2013
313589EZ2	10433	Federal National Mtg Assn		08/14/2012	4,000,000.00	3,999,920.00	3,998,453.33	0.140	0.141	0.143	29	04/30/2013
313589EN9	10580	Federal National Mtg Assn		11/20/2012	3,000,000.00	2,999,970.00	2,998,250.00	0.140	0.140	0.142	18	04/19/2013
313589HD8	10585	Federal National Mtg Assn		11/26/2012	4,000,000.00	3,999,560.00	3,996,550.00	0.150	0.151	0.153	81	06/21/2013
313397HL8	10595	Federal National Mtg Assn		12/04/2012	5,000,000.00	4,999,400.00	4,995,422.22	0.160	0.162	0.164	88	06/28/2013
313589JW4	10805	Federal National Mtg Assn		12/14/2012	5,000,000.00	4,998,800.00	4,995,847.20	0.130	0.132	0.134	122	08/01/2013
313589KL6	10638	Federal National Mtg Assn		01/25/2013	3,000,000.00	2,999,220.00	2,998,148.33	0.110	0.111	0.112	136	08/15/2013
313589LB7	10641	Federal National Mtg Assn		01/30/2013	5,000,000.00	4,998,550.00	4,997,350.00	0.090	0.091	0.092	151	08/30/2013
313589LB7	10646	Federal National Mtg Assn		02/04/2013	5,000,000.00	4,998,550.00	4,996,837.50	0.110	0.111	0.112	151	08/30/2013
313589JT1	10849	Federal National Mtg Assn		02/08/2013	3,000,000.00	2,999,400.00	2,998,432.50	0.110	0.110	0.112	119	07/29/2013
313397LR0	10657	Federal National Mtg Assn		02/27/2013	4,000,000.00	3,998,360.00	3,996,920.00	0.140	0.141	0.143	185	08/13/2013
313589MJ9	10658	Federal National Mtg Assn		03/01/2013	5,000,000.00	4,997,700.00	4,996,154.17	0.130	0.133	0.135	182	08/30/2013
313385GM2	10863	Wells Fargo		03/08/2013	4,000,000.00	3,999,360.00	3,998,961.67	0.105	0.105	0.106	65	08/05/2013
Subtotal and Average			161,533,293.62		161,575,000.00	161,516,332.11	161,467,377.55		0.122	0.124	110	
Treasury Discounts -At Cost												
912820QY6	10425	U.S. Treasury		08/24/2012	5,000,000.00	4,999,000.00	4,994,247.27	0.150	0.148	0.150	60	05/31/2013
912820QY6	10556	U.S. Treasury		10/22/2012	4,000,000.00	3,999,200.00	3,998,360.00	0.150	0.148	0.150	60	05/31/2013
912796AG4	10578	U.S. Treasury		11/16/2012	4,000,000.00	3,997,906.40	3,997,586.67	0.120	0.122	0.123	45	05/16/2013
9127956W6	10599	U.S. Treasury		12/10/2012	4,000,000.00	3,997,826.40	3,997,346.67	0.120	0.122	0.123	87	06/27/2013
912796AJ8	10603	U.S. Treasury		12/11/2012	4,000,000.00	3,998,243.20	3,997,836.67	0.110	0.112	0.113	66	06/06/2013
9127957A3	10619	U.S. Treasury		12/21/2012	4,000,000.00	3,998,070.00	3,997,840.00	0.090	0.091	0.093	115	07/25/2013
912820ZA8	10620	U.S. Treasury		12/24/2012	5,000,000.00	4,996,600.00	4,995,400.00	0.118	0.118	0.120	182	08/30/2013
912820RK5	10621	U.S. Treasury		12/24/2012	5,000,000.00	4,995,800.00	4,994,450.00	0.130	0.129	0.130	213	10/31/2013
9127957K1	10659	U.S. Treasury		03/01/2013	4,000,000.00	3,997,692.00	3,997,733.61	0.101	0.102	0.104	171	08/19/2013
912796BC2	10672	U.S. Treasury		03/28/2013	4,000,000.00	3,997,810.00	3,997,977.78	0.100	0.101	0.103	178	08/28/2013
Subtotal and Average			39,484,668.99		43,000,000.00	42,978,148.00	42,966,778.67		0.120	0.122	120	
Teeter Notes												
TTRN0809	10211	Napa County		09/01/2008	312,980.89	312,980.89	312,980.89	0.460	1.574	1.596	153	09/01/2013
TTRN0910	10212	Napa County		09/01/2009	955,156.97	955,156.97	955,156.97	0.570	1.223	1.240	518	09/01/2014
TTRN1011	10213	Napa County		09/01/2010	1,398,834.55	1,398,834.55	1,398,834.55	0.690	0.993	1.007	883	09/01/2015
TTRN1112	10214	Napa County		09/01/2011	2,182,639.26	2,182,639.26	2,182,639.26	0.890	0.978	0.992	1,249	09/01/2016
TTRN1213	10215	Napa County		09/01/2012	4,271,055.00	4,271,055.00	4,271,055.00	1.090	1.075	1.090	1,814	09/01/2017

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Subtotal and Average			9,120,666.67		9,120,666.67	9,120,666.67	9,120,666.67		1.072	1.087	1,250
Total and Average			497,876,471.54		504,395,666.87	504,485,031.78	504,263,632.89		0.459	0.466	311



A Tradition of Stewardship
A Commitment to Service

NAPA COUNTY Activity Report Sorted By Custodian March 1, 2013 - March 31, 2013

Napa County
1195 Third Street
suite 108
Napa, CA 94559
(707)253-4320

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value	Current Rate	Transaction Date	Purchases or Deposits	Par Value	Ending Balance
				Beginning Balance				Redemptions or Withdrawals	
Custodian: Bank of New York Mellon									
Time Deposit - Bank									
Subtotal and Balance				100,000.00					100,000.00
Federal Agency Coupon Securities									
3133EAFQ6	10350	Federal Farm Credit Bank			1.280	03/01/2013	0.00	3,000,000.00	
3133EAGH5	10366	Federal Farm Credit Bank			1.250	03/08/2013	0.00	3,000,000.00	
3133EAJE9	10371	Federal Farm Credit Bank			0.480	03/28/2013	0.00	3,000,000.00	
3133ECGF5	10660	Federal Farm Credit Bank			0.800	03/04/2013	700,000.00	0.00	
3133ECHB3	10862	Federal Farm Credit Bank			0.450	03/07/2013	4,000,000.00	0.00	
3133ECGC2	10664	Federal Farm Credit Bank			1.080	03/13/2013	4,000,000.00	0.00	
3136G1GJ2	10671	Federal National Mtg Assn			0.850	03/27/2013	4,000,000.00	0.00	
3136G1HD4	10673	Federal National Mtg Assn			0.750	03/28/2013	4,000,000.00	0.00	
3136G1HC6	10674	Federal National Mtg Assn			0.850	03/28/2013	4,000,000.00	0.00	
Subtotal and Balance				237,400,000.00			20,700,000.00	9,000,000.00	249,100,000.00
Federal Agency Disc. -At Cost									
313385DB9	10424	Federal Home Loan Bank			0.120	03/15/2013	0.00	4,000,000.00	
313397CR0	10427	Federal Home Loan Mtg Corp			0.140	03/05/2013	0.00	4,000,000.00	
313385CM8	10428	Federal Home Loan Bank			0.120	03/01/2013	0.00	4,000,000.00	
313385DQ6	10431	Federal Home Loan Bank			0.120	03/28/2013	0.00	5,000,000.00	
313589DQ3	10432	Federal National Mtg Assn			0.130	03/28/2013	0.00	4,000,000.00	
313385DE3	10553	Federal Home Loan Bank			0.145	03/18/2013	0.00	3,000,000.00	
313397DA6	10568	Federal Home Loan Mtg Corp			0.140	03/14/2013	0.00	3,000,000.00	
313397DJ7	10591	Federal Home Loan Mtg Corp			0.110	03/22/2013	0.00	3,000,000.00	
313385CU8	10816	Federal Home Loan Bank			0.105	03/08/2013	0.00	4,000,000.00	
313589MJ9	10658	Federal National Mtg Assn			0.130	03/01/2013	5,000,000.00	0.00	
313385GM2	10863	Wells Fargo			0.105	03/08/2013	4,000,000.00	0.00	
313385LV6	10865	Federal Home Loan Bank			0.100	03/18/2013	3,000,000.00	0.00	
313397NR6	10866	Federal Home Loan Mtg Corp			0.120	03/19/2013	5,000,000.00	0.00	
313397NK3	10667	Federal Home Loan Mtg Corp			0.120	03/19/2013	3,000,000.00	0.00	
313385MV5	10688	Federal Home Loan Bank			0.100	03/28/2013	4,000,000.00	0.00	
313385MK9	10689	Federal Home Loan Bank			0.100	03/27/2013	2,575,000.00	0.00	

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CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Custodian: Bank of New York Mellon									
Federal Agency Disc. -At Cost									
313397NB3	10670	Federal Home Loan Mtg Corp			0.100	03/27/2013	4,000,000.00	0.00	
Subtotal and Balance				165,000,000.00			30,575,000.00	34,000,000.00	161,575,000.00
Treasury Discounts -At Cost									
9127957K1	10659	U.S. Treasury			0.101	03/01/2013	4,000,000.00	0.00	
912796BC2	10672	U.S. Treasury			0.100	03/28/2013	4,000,000.00	0.00	
Subtotal and Balance				35,000,000.00			8,000,000.00	0.00	43,000,000.00
Custodian Subtotal				89.964%			59,275,000.00	43,000,000.00	453,775,000.00
Custodian: County of Napa									
Teeter Notes									
Subtotal and Balance				9,120,666.67					9,120,666.67
Custodian Subtotal				1.808%			0.00	0.00	9,120,666.67
Custodian: Local Agency Investment Fund									
LAIF									
LAIF	LAIF	State of California			0.348		4,000,000.00	12,500,000.00	
Subtotal and Balance				50,000,000.00			4,000,000.00	12,500,000.00	41,500,000.00
Custodian Subtotal				8.228%			4,000,000.00	12,500,000.00	41,500,000.00
Total				100.000%			63,275,000.00	55,500,000.00	504,395,666.67