

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 2, 2015**

**New Issue –Book Entry Only**

**Ratings: Standard & Poor's: "SP-1+"**

**Moody's: "MIG 1"**

**(See "RATINGS" herein.)**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes, 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, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.*

**\$15,000,000\***

**NAPA VALLEY UNIFIED SCHOOL DISTRICT**

**(Napa County, California)**

**2015-16 Tax and Revenue Anticipation Notes**

**Dated: Date of Delivery**

**Due: June 30, 2016**

**Authority for Issuance.** The Tax and Revenue Anticipation Notes captioned above (the "Notes") are being issued by the Board of Supervisors of Napa County (the "County") in the name and on behalf of the Napa Valley Unified School District (the "District"), under Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code, a resolution of the Board of Education of the District adopted on April 9, 2015 (the "District Resolution"), and a resolution of the Board of Supervisors of the County adopted on July 21, 2015 (the "County Resolution").

**Purpose.** The Notes are being issued by the District for the purpose of paying a portion of operating expenses of the District for fiscal year 2015-16.

**Source of Payment.** The Notes are general obligations of the District. The principal amount of the Notes, together with the interest that accrues to the maturity date, will be payable from taxes, income, revenue, cash receipts and other moneys received by the District allocable to fiscal year 2015-16 and which are generally available for the payment of current expenses and other obligations of the District. As security for the payment of principal of and interest on the Notes, the District has pledged to deposit in the Repayment Fund, as defined in this Official Statement, on or before certain dates set forth herein, moneys sufficient to pay principal of and interest on the Notes at maturity, including certain expected State of California grant moneys as described herein. See "SOURCE OF PAYMENT OF THE NOTES."

**Note Terms.** The Notes bear interest at the rate set forth on the inside cover, payable at maturity on June 30, 2016. See "THE NOTES." Payments of principal and interest on the Notes will be made by the Treasurer-Tax Collector of Napa County to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Notes.

**No Early Redemption.** The Notes are not subject to redemption prior to maturity.

**Book-Entry System.** Purchasers of beneficial interests in the Notes will not receive certificates representing their interest. So long as Cede & Co. is the registered Note owner, as nominee of DTC, references in this Official Statement to the Note owners or Owners means Cede & Co., and not the beneficial owners of the Notes. Payments of principal of and interest on the Notes will be made directly to DTC or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described in this Official Statement. See "THE NOTES – Book-Entry Only System" and "APPENDIX D – Book-Entry Only System".

**Cover Page.** This cover page contains information for quick reference only, and is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed decision with respect to an investment in the Notes.

The following firm, serving as financial advisor to the District, has structured this financing:



**MATURITY SCHEDULE**

<b>Maturity Date</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP(†)</b>
June 30, 2016	\$15,000,000			

*The Notes will be sold and awarded by competitive bid held September 9, 2015, as set forth in the Official Notice of Sale. The Notes 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. Jones Hall is also serving as Disclosure Counsel to the District. It is anticipated that the Notes in definitive form will be available for delivery through the facilities of DTC, on or about September 23, 2015, in New York, New York.*

The date of this Official Statement is: \_\_\_\_\_, 2015.

\*Preliminary; subject to change.

† Copyright 2015, American Bankers Association. CUSIP data 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 Purchaser assumes any responsibility for the accuracy of these CUSIP data.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

## **NAPA COUNTY**

### **Board of Supervisors**

Brad Wagenknecht, Board Member - *District 1*

Mark Luce, Board Member - *District 2*

Diane Dillon, Board Chair - *District 3*

Alfredo Pedroza, Board Member - *District 4*

Keith Caldwell, Board Member - *District 5*

## **NAPA VALLEY UNIFIED SCHOOL DISTRICT**

### **Board of Education of the District**

Carlos Hagedon, *Board President, Area 2*

Robb Felder, *Board Vice President, Area 6*

José Hurtado, *Board Clerk, Area 7*

Helen Busby, *Board Member, Area 1*

Thomas Kensok, *Board Member, Area 3*

Joe Schunk, *Board Member, Area 4*

Frances Ortiz-Chavez, *Board Member, Area 5*

### **DISTRICT ADMINISTRATION**

Patrick Sweeney, Ed.D., *Superintendent*

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

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### **SPECIAL SERVICES**

#### **Financial Advisor**

KNN Public Finance

A Division of Zions Public Finance Inc.

*Oakland, California*

#### **Bond Counsel and Disclosure Counsel**

Jones Hall, A Professional Law Corporation

*San Francisco, California*

#### **Paying Agent**

Napa County Treasurer

*Napa, California*

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Notes 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 Purchaser.

**No Offering Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the District or the Purchaser 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 Purchaser.

**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 Notes 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 Purchaser.** The Purchaser has provided the following statement for inclusion in this Official Statement: The Purchaser 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 Purchaser does not guarantee the accuracy or completeness of such information.

**Stabilization of and Changes to Offering Prices.** The Purchaser may overallocate or take other steps that stabilize or maintain the market prices of the Notes at levels above that which might otherwise prevail in the open market. If commenced, the Purchaser may discontinue such market stabilization at any time. The Purchaser may offer and sell the Notes 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 Purchaser.

**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 Notes 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 Notes 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 Notes 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 Notes.

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- APPENDIX C - Proposed Form of Legal Opinion
- APPENDIX D - Book-Entry Only System
- APPENDIX E - Form of Continuing Disclosure Certificate
- APPENDIX F - Napa County Investment Policy and Investment Report

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# OFFICIAL STATEMENT

**\$15,000,000\***

**NAPA VALLEY UNIFIED SCHOOL DISTRICT  
(Napa County, California)  
2015-16 Tax and Revenue Anticipation Notes**

The purpose of this Official Statement, which includes the cover page and Appendices (this “**Official Statement**”), is to provide certain information concerning the issuance and sale of the 2015-16 Tax and Revenue Anticipation Notes (the “**Notes**”) of the Napa Valley Unified School District (the “**District**”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the County Resolution (as defined below).

*The offering of the Notes is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Notes. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled “DISTRICT FINANCIAL INFORMATION” and “RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page, the inside cover page and the appendices, is unauthorized.*

## INTRODUCTION

**Authority for Issuance.** The Notes are being issued by the Board of Supervisors of Napa County (the “**County**”), in the name and on behalf of the District, under Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the “**Law**”), a resolution adopted by the Board of Education of the District on April 9, 2015 (the “**District Resolution**”), and a resolution adopted by the Board of Supervisors of the County on July 21, 2015 (the “**County Resolution**”). See “THE NOTES – Authority for Issuance.”

**Financing Purpose.** The Notes are being issued for the purpose of paying a portion of operating expenses of the District for fiscal year 2015-16 and the costs of issuing the Notes. The County makes no assurances regarding the use of the proceeds of the Notes.

**Description of the Notes.** The Notes will be dated their date of delivery (the “**Closing Date**”) and will be issued as fully registered Notes, without coupons, in the denominations of \$1,000 or any integral multiple thereof. The Notes will mature on the date shown on the inside cover of this Official Statement.

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\*Preliminary; subject to change.

The Notes will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Notes (the “**Beneficial Owners**”) in the denominations set forth on the cover page, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Notes. See “THE NOTES - Book-Entry-Only System.” If the book-entry-only system described below is no longer used with respect to the Notes, the Notes will be registered in accordance with the County Resolution described in this Official Statement. See “THE NOTES -- Description of the Notes.”

**No Early Redemption of Notes.** The Notes are not subject to redemption prior to maturity.

**Source of Payment.** The principal amount of the Notes, together with interest that accrues to the date of maturity, will be payable from taxes, income, revenue and other moneys intended as receipts for the general fund of the District allocable to fiscal year 2012-13 which are generally available for the payment of current expenses and other obligations of the District (the “**Unrestricted Moneys**”). As security for the payment of principal of and interest on the Notes, the District has pledged from Unrestricted Moneys certain “**Pledged Revenues**”, as defined in “SOURCE OF PAYMENT FOR THE NOTES” below, to be deposited prior to the last business day of April, 2016 and May, 2016, in a special fund to be held on behalf of the District by the County Treasurer, separate and distinct from all other County and District funds and accounts, designated as the “Napa Valley Unified School District (Napa County, California) 2015-16 Tax and Revenue Anticipation Notes Repayment Fund” (the “**Repayment Fund**”). Any moneys placed in the Repayment Fund will be for the benefit of the registered owners of the Notes, and until the principal of and interest on the Notes is paid or provided for, the Repayment Fund will be used solely for the payment of principal of and interest on the Notes

**The District.** The District is located in Napa 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 2015-16 school year is estimated to be 18,271 students. For more information regarding the District and its finances, see “THE DISTRICT”.

**Continuing Disclosure.** The District, under a Continuing Disclosure Certificate, has covenanted for the benefit of owners of the Notes to provide notices of the occurrence of certain enumerated events, if material, in order to assist the Purchaser in complying with Securities Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” and “APPENDIX E - Form of Continuing Disclosure Certificate.”

**Tax Matters.** In the opinion of Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Notes 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. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS”.



## FINANCING PLAN

Proceeds from the sale of the Notes will be deposited in the Treasury of the County in a proceeds fund (the "**Proceeds Fund**") to the credit of the District to be withdrawn, used and expended by the District for any purpose for which it is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures and the discharge of any obligation or indebtedness of the District.

Moneys held in the Proceeds Fund shall be invested by the County in any one or more investments generally permitted to school districts under the laws of the State of California, consistent with the investment policy of the County and the County Resolution (the "**Proceeds Fund Permitted Investments**"). See APPENDIX F hereto for a copy of the County's current investment policy and most recent quarterly investment report.

## THE NOTES

### Authority for Issuance

The Notes are being issued by the Board of Supervisors of the County in the name and on behalf of the District under the Law, the District Resolution and the County Resolution.

### Description of the Notes

**Form of the Notes.** The Notes will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive certificates representing their interest in the Notes. The Notes will be issued as fully registered Notes, without coupons, in the denomination of \$1,000 each or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Notes maturing in the year of maturity of the Note for which the denomination is specified.

**Maturity; Interest.** Interest on the Notes accrues from the date of delivery and is payable at the maturity of the Notes. The Notes mature and become payable on June 30, 2016, and bear interest at the rate per annum identified on the cover page hereof. Interest on the Notes is calculated on the basis of a 360-day years comprised of twelve 30-day months. Both the principal of and interest on this Note shall be payable at maturity to the Owner.

### No Redemption

The Notes are not subject to redemption prior to maturity.

### Book-Entry Only System

When executed and delivered, the Notes will be registered in the name of Cede & Co. as nominee of DTC. Beneficial Owners of the Notes will not receive physical Notes representing their interests in the Notes, but will receive a credit balance on the books of the nominees for such Beneficial Owners. The principal of and interest on the Notes will be paid by the County Treasurer-Tax Collector to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Notes as described in this Official Statement. As long as Cede & Co. is the registered owner of the Notes, principal of and interest on the Notes are payable by wire transfer on the payment date by the County Treasurer-Tax Collector to Cede & Co., as nominee for DTC, which will in turn remit such

amounts to DTC Participants (as defined in this Official Statement) for subsequent distribution to the Beneficial Owners. As long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references in this Official Statement to the registered owners means Cede & Co. and will not mean the Beneficial Owners of the Notes. See "APPENDIX D - Book-Entry Only System."

**SOURCE OF PAYMENT OF THE NOTES**

**Repayment Fund**

**General.** Under the County Resolution, the County Treasurer-Tax Collector will establish a fund to be known as the Repayment Fund, to be held for the benefit of the holders of the Notes. The District will cause the County Treasurer-Tax Collector to deposit in the Repayment Fund an amount of Pledged Revenues in an amount required to pay the principal of and interest on the Notes at maturity. On the maturity date of the Notes, the County Treasurer-Tax Collector will withdraw from the Repayment Fund and transfer to DTC an amount necessary to pay the principal of and interest on the Notes. Any moneys remaining in the Repayment Fund after the Notes and the interest thereon have been paid, or provision for such payment has been made, will be transferred to the District.

**Investment.** Moneys held in the Repayment Fund will be invested by the County in any one or more investments generally permitted to school districts under the laws of the State of California, consistent with the investment policy of the County and the County Resolution (the "Repayment Fund Permitted Investments").

**Unrestricted Moneys; Pledged Revenues**

**Unrestricted Moneys.** Unrestricted Moneys are taxes, income, revenue and other moneys intended as receipts for the general fund of the District allocable to fiscal year 2015-16 and which are generally available for the payment of current expenses and other obligations of the District.

**Pledged Revenues.** The Notes of the District are, by statute, general obligations of the District. As security for the payment of principal of and interest on an issue of Notes, the District has pledged to deposit in the Repayment Fund the first Unrestricted Moneys received as follows, and which are defined as "Pledged Revenues":

- (1) in an amount equal to seventy percent (70%) of the principal amount of the Notes, to be received by the County on behalf of the District in April, 2016, and
- (2) in an amount equal to thirty percent (30%) of the principal amount of the Notes, plus an amount equal to the interest due on the Notes, to be received by the County on behalf of the District in May, 2016.

The Pledged Revenues will be in an amount sufficient to pay the principal of and interest on the Notes. The principal of and interest on the Notes constitute a first lien and charge against the Pledged Revenues. In dollars, the amounts and times of transfer of the Pledged Revenues to the Repayment Account are as follows:

**NAPA VALLEY UNIFIED SCHOOL DISTRICT  
Date and Amount of Pledge<sup>(1)</sup>**

<b>April 30, 2016</b>	<b>May 31, 2016</b>
\$10,500,000	\$4,500,000, plus interest

(1) Assumes principal amount of \$15,000,000.

To the extent not paid from the Pledged Revenues, the Notes will be paid from any other moneys of the District lawfully available therefor. In the event that there are insufficient unrestricted moneys received by the District to permit the deposit in the Repayment Fund of the full amount of the Pledged Revenues to be deposited in any month on the last business day of such month, then the amount of any deficiency will be satisfied and made up from any other moneys of the District lawfully available for the repayment of the Notes and interest thereon.

As further security, the District has covenanted in the District Resolution that it will not request the County Treasurer to make temporary transfers of funds in the custody of the County Treasurer to meet any obligations of the District during the 2015-16 fiscal year, until the full amount of Pledged Revenues have been deposited into the Repayment Fund. In the event the full amount of Pledged Revenues have been deposited into the Repayment Fund, the District covenants that it will not request the County Treasurer to make temporary transfers of funds in excess of 85% of the anticipated revenues accruing to the District during the 2015-16 fiscal year.

For information relating to the rights of Owners of the Notes to moneys in the Repayment Fund upon a bankruptcy of the County, see “RISK FACTORS – Bankruptcy Considerations.”

**Notes Not Secured by Property Tax Levy**

Under Section 53857 of the Law, the Notes are general obligations of the District which are payable from any taxes, income, revenue, cash receipts or other moneys of the District which are lawfully available for that purpose. However, the obligation of the District to pay the principal of and interest on the Notes does not constitute a debt of the District, the County or the State of California or of any political subdivision thereof, within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District, the County or the State of California is obligated to levy or pledge any form of taxation or for which the District, the County or the State of California has levied or pledged any form of taxation.

**No Liability of the County**

Neither the County, the Board or Supervisors of the County, nor any officer, official, employee of the County, has liability in connection with the Notes, other than to establish and administer the Repayment Fund as described above. No funds or property of the County are liable to pay the principal of and interest on the Notes.

**Actual 2014-15 and Projected 2015-16 District Cash Flow**

The District has prepared for use in this Official Statement the following cash flow statements that show actual cash receipts and disbursements for fiscal year 2014-15, and projected cash receipts and disbursements for the rest of fiscal year 2015-16 through the maturity date of the Notes.

*[Remainder of Page Intentionally Left Blank]*



**NAPA VALLEY UNIFIED SCHOOL DISTRICT**  
**CASH FLOW PROJECTIONS 2015-2016**  
**Fund 01 General Fund**

ACTUALS THRU MONTH OF	OBJECT PROJECTED	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACCRUALS	ADJ'S	TOTAL	BUDGET
A. BEGINNING CASH	9110	6,286,597	4,094,903	9,476,792	5,243,849	126,919	963,242	24,587,506	27,597,905	21,938,457	2,740,737	21,777,313	7,864,134				
B. RECEIPTS																	
REVENUE LIMIT																	
PRINCIPAL APPORTIONMENT (Incl E)	8010-8019	2,165,637	2,165,637	6,152,226	3,898,146	3,898,146	6,152,225	3,898,146	3,898,146	6,152,225	3,898,146	3,898,146	6,152,225	0		52,329,049	52,329,049
PROPERTY TAXES	8020-8079	0	0	0	4,267,703	10,242,487	32,434,542	5,974,784	3,414,162	-13,870,034	35,848,704	853,541	4,267,703	1,707,081		85,140,672	85,354,057
OTHER	8080-8089	0	-356,564	-713,127	-475,418	-475,418	-475,418	4,349,292	-475,418	-831,982	3,443,777	-415,991	-415,991	3,706,692		3,706,692	3,706,692
FEDERAL REVENUE	8100-8299	94,218	6,802	685,585	70,315	601,723	1,651,069	709,894	628,747	1,284,850	26,092	621,179	83,199	2,460,190		8,923,862	8,923,863
OTHER STATE REVENUE	8300-8599	597,107	597,107	1,545,759	1,074,793	1,089,818	1,089,818	1,776,435	1,074,793	1,776,435	675,900	2,871,231	720,541	3,551,847		15,857,585	15,857,585
OTHER LOCAL REVENUE	8600-8799	72,136	126,233	133,001	243,520	152,792	226,692	221,762	161,277	310,306	236,764	45,429	238,156	781,265		2,950,355	2,950,355
INTERFUND TRANSFERS IN	8910-8929	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
ALL OTHER FINANCING SOURCES	8931-8979	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
TOTAL RECEIPTS		2,929,101	2,539,215	7,803,442	9,079,059	15,509,547	41,078,927	16,930,313	8,701,707	-5,178,200	44,129,383	5,289,535	11,046,833	9,049,354		168,908,215	169,121,600
C. DISBURSEMENTS																	
CERTIFICATED SALARIES	1000-1999	417,826	6,901,777	7,110,200	7,230,786	7,347,059	7,268,715	7,536,622	7,384,236	7,366,391	7,324,913	7,520,480	7,429,767	134,278		80,973,050	80,973,050
CLASSIFIED SALARIES	2000-2999	1,386,421	1,850,320	2,888,902	2,385,205	2,420,829	2,292,775	2,118,725	2,304,766	2,192,249	2,222,109	2,481,403	1,977,392	426,180		26,647,277	26,647,277
EMPLOYEE BENEFITS	3000-3999	1,603,519	1,508,080	2,329,037	1,929,588	2,220,287	2,146,482	1,902,233	2,148,248	2,068,835	2,199,869	2,226,719	2,427,076	54,095		24,679,067	24,679,067
BOOKS AND SUPPLIES	4000-4999	202,552	807,326	879,448	690,640	503,375	567,153	488,312	576,460	457,399	544,779	911,190	583,931	171,729		7,384,296	7,384,296
SERVICES	5000-5999	609,597	1,187,607	1,576,457	2,675,019	2,099,373	2,348,604	1,812,850	1,875,360	1,869,204	2,296,629	1,456,178	-3,007,309	2,063,558		18,853,127	18,853,127
CAPITAL OUTLAY	6000-6599	24,579	47,884	63,562	107,856	84,646	94,695	73,094	75,614	75,366	82,600	58,713	-121,254	82,799		760,154	760,154
OTHER OUTGO	7000-7499	-4,781	-36,358	-154,748	-21,004	-2,345	-9,788	-11,920	-3,529	-4,924	-8,090	-10,301	-29,111	-66,206		-363,104	-363,104
INTERFUND TRANSFER OUT	7600-7629	0	0	0	0	0	2,746,026	0	0	0	0	0	2,746,026	0		5,492,052	5,492,052
ALL OTHER FINANCING USES	7630-7699	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
TOTAL DISBURSEMENTS		4,239,714	11,966,637	14,692,860	14,998,090	14,673,225	17,454,663	13,919,914	14,361,154	14,019,520	14,592,807	14,644,381	12,006,518	2,856,434		164,425,919	164,425,919
D. BALANCE SHEET TRANSACTIONS																	
ASSETS																	
CASH NOT IN TREASURY	9111-9199													0		0	0
ACCOUNTS RECEIVABLE	9200-9299	4,268,357	1,525,791	2,656,476	802,102	0	0	0	0	0	0	0	0	0		9,252,726	9,252,726
DUE FROM OTHER FUNDS	9310															0	0
STORES	9320															0	0
PREPAID EXPENDITURES	9330															0	0
OTHER CURRENT ASSETS	9340															0	0
SUB TOTAL ASSETS		4,268,357	1,525,791	2,656,476	802,102	0	0	0	0	0	0	0	0	0		9,252,726	9,252,726
LIABILITIES																	
ACCOUNTS PAYABLE	9500-9529	5,149,438	1,716,479													6,865,917	6,865,917
DUE TO OTHER FUNDS	9610															0	0
TRAN Sizing	9640		-15,000,000					0			10,500,000	4,500,000	0			0	0
TRAN Interest @ 50 bps	9640											58,333				58,333	58,333
DEFERRED REVENUES	9650										10,500,000	4,588,333	0	0		6,924,250	6,924,250
SUB TOTAL LIABILITIES		5,149,438	-13,283,521	0	0	0	0	0	0	0	10,500,000	4,588,333	0	0		6,924,250	6,924,250
NON OPERATING																	
SUSPENSE CLEARING	9555-9599	0														0	0
TOTAL BALANCE SHEET ACCOUNTS		-881,061	14,809,312	2,656,476	802,102	0	0	0	0	0	-10,500,000	-4,588,333	0	0		2,328,476	2,328,476
E. NET INCREASE/DECREASE (B-C+D)		-2,191,694	5,381,889	-4,232,942	-5,116,930	836,322	23,624,264	3,010,399	-5,659,448	-19,197,220	19,036,575	-13,913,179	-959,684	6,192,920		6,810,772	4,695,682
F. ENDING CASH (A - E)		4,094,903	9,476,792	5,243,849	126,919	963,242	24,587,506	27,597,905	21,938,457	2,740,737	21,777,313	7,864,134	6,904,449				
G. ENDING CASH PLUS ACCRUALS																13,097,369	13,097,369

**Note Coverage Ratio**

Projected Unrestricted Moneys available for Note repayment on June 30, 2016, provides coverage of 1.87\* times the principal and interest due on the Notes at maturity, as demonstrated in the following table.

**NAPA VALLEY UNIFIED SCHOOL DISTRICT  
Unrestricted Moneys to Note Repayment Ratio**

Projected Beginning Cash Balance, July 1, 2015	\$6,286,597
Projected FY 2015-16 Cash Receipts (Including Note Proceeds)	\$193,160,941
Less Projected FY 2015-16 Disbursements (Excluding Note Repayment)	\$(171,291,836)
Ending Cash Balance, June 30,2016	\$28,155,702
Estimated Note Repayment	\$15,058,333
<b>NOTE COVERAGE RATIO</b>	<b>1.87:1*</b>

*\* Preliminary, subject to change. Includes annual interest rate assumption of 0.50%.*

## DISTRICT GENERAL INFORMATION

### 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 three charter schools. Enrollment in the District for the 2015-16 school year is estimated to be approximately 18,271 students.

### Charter Schools

The District currently sponsors three independent charter schools which operate within District boundaries pursuant to Education Code Section 47605, being the Napa Valley Language Academy, the Shearer Elementary School and the River Charter School.

The current charters can be renewed. Total combined charter school average daily attendance (“**ADA**”) was approximately 1,020 for the 2014-15 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 ADA. The charter school’s financial activities are presented in the Charter School Fund in the District’s audited financial statements in accordance with guidance provided by the California Department of Education.

### 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.

<b>Name</b>	<b>Area</b>	<b>Term Expires</b>
Carlos Hagedon, President	Area 2	December 2016
Robb Felder, Vice President	Area 6	December 2018
José Hurtado, Clerk	Area 7	December 2016
Helen Busby, Member	Area 1	December 2015
Thomas Kensok, Member	Area 3	December 2018
Joe Schunk, Member	Area 4	December 2016
Frances Ortiz-Chavez, Member	Area 5	December 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 enrollment projections for the District.

**ANNUAL ENROLLMENT<sup>(1)</sup>  
Fiscal Years 2005-06 through 2015-16  
Napa Valley Unified School District**

<b>School Year</b>	<b>Enrollment</b>	<b>Percent Change</b>
2005-06	17,408	--
2006-07	17,418	0.1
2007-08	17,552	0.8
2008-09	17,771	1.2
2009-10	17,959	1.1
2010-11	18,001	0.2
2011-12	18,078	0.4
2012-13	18,326	1.4
2013-14	18,497	0.9
2014-15	18,610	0.6
2015-16*	18,271	(1.8)

*(1) Includes the District's charter schools.  
\* Second Interim Report for fiscal year 2014-15.  
Source: California Department of Education for 2006-07 through 2014-15; District for 2015-16.*

**Employee Relations**

During fiscal year 2015-16, the District employs 1,049 certificated and 684 classified employees, and 944 part-time faculty and staff. The District has three recognized bargaining units which represent its employees.

**Labor Organizations  
Napa Valley Unified School District**

<b>Labor Organization</b>	<b>No. of Employees</b>	<b>Contract Expiration</b>
California School Employees Association, Napa Chapter 184	665	December 31, 2017
Napa Association Pupil Services	90	June 30, 2016
Napa Valley Educators Association	979	June 30, 2018

*Source: Napa Valley Unified School District.*

## DISTRICT FINANCIAL INFORMATION

### Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were 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 was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and will be phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Based on revenue projections, districts will reach what is referred to as "full funding" in eight years, being fiscal year 2020-21. This projection assumes that the State's economy will improve each year; if the economy falters it could take longer to reach full funding.

The target LCFF amounts for State school districts and charter schools based on grade levels and Targeted Students is shown below.

**Grade Span Funding at Full LCFF Implementation (Target Amount)**

Grade Span	Base Grant <sup>(1)</sup>	K-3 Class Size Reduction and 9-12 Adjustments	Average Assuming 0% Targeted Students	Average Assuming 25% Targeted Students	Average Assuming 50% Targeted Students	Average Assuming 100% Targeted Students
K-3	\$6,845	\$712	\$7,557	\$7,935	\$8,313	\$10,769
4-6	6,947	N/A	6,947	7,294	7,642	9,899
7-8	7,154	N/A	7,154	7,512	7,869	10,194
9-12	8,289	\$216	8,505	8,930	9,355	12,119

*(1) Does not include adjustments for cost of living.  
Source: California Department of Education.*

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, adjusted for changes in ADA.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

## **District 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 fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. 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.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board (“**GASB**”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

## **Financial Statements**

**General.** The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2014 Audited Financial Statements were prepared by Goodell, Porter, Sanchez & Bright, LLP, Sacramento, California and are attached hereto as Appendix A. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services of the District, Napa Valley Unified School District, 2425 Jefferson Street, Napa, California 94558; phone (707) 253-3715. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

**General Fund Revenues, Expenditures and Changes in Fund Balance.** The following table shows the audited income and expense statements for the District for the fiscal years 2010-11 through 2013-14.

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Fiscal Years 2010-11 through 2013-14 (Audited)<sup>(1)</sup>  
Napa Valley Unified School District**

	<b>2010-11 Audited</b>	<b>2011-12 Audited</b>	<b>2012-13 Audited</b>	<b>2013-14 Audited</b>
<b>Revenues</b>				
Revenue Limit/LCFF Sources: <sup>(2)</sup>				
State Apportionments	\$ 47,757,727	\$18,700,178	\$17,306,782	\$35,431,821
Local Sources	40,918,108	69,093,150	71,841,071	77,319,067
Total Revenue Limit	88,675,835	87,793,328	89,147,853	112,750,888
Federal Revenue	11,695,930	12,220,475	9,662,936	9,153,715
Other State Revenue	15,685,928	15,514,698	15,936,409	8,299,073
Other Local Revenue	3,983,977	5,443,910	5,335,905	7,087,257
Total Revenue	120,041,670	120,972,411	120,083,103	137,290,933
<b>Expenditures</b>				
Certificated Salaries	62,187,644	59,390,924	62,464,487	69,081,516
Classified Salaries	20,397,913	19,663,125	20,832,049	22,791,919
Employee Benefits	17,778,958	19,024,103	19,911,659	20,710,837
Books and Supplies	5,616,658	4,880,397	4,875,922	8,504,927
Services and Other Expenditures	12,332,384	11,243,689	12,004,952	15,644,374
Capital Outlay	465,701	1,199,379	178,348	1,513,107
Debt Service	--	--	83,134	--
Other Outgo	6,721	(138,260)	(139,060)	(91,898)
Total Expenditures	118,785,979	115,263,357	120,211,491	138,154,782
Excess (deficiency) of revenues over expenditures	1,255,691	5,709,054	(128,388)	(863,849)
<b>Other Financing Sources (Uses)</b>				
Operating transfers In	741,180	135,000	1,702,571	927,742
Operating transfers Out	(857,781)	(382,174)	--	(130,372)
Other Sources	119,768	--	--	--
Total Other Financing Sources (Uses)	3,167	(247,174)	1,702,571	797,370
<b>Net Change in Fund Balance</b>	1,258,858	5,461,880	1,574,183	(66,479)
<b>Beginning Balance</b>	12,275,138	13,988,980	19,450,860	21,025,043
<b>Ending Balance<sup>(3)</sup></b>	\$13,533,996	\$19,450,860	\$21,025,043	\$20,958,564

(1) Totals may not add due to rounding.

(2) LCFF commenced in fiscal year 2013-14.

(3) Beginning fund balance was restated as of June 30, 2011 to conform to GASB Statement No. 54's definition of governmental funds.

Source: Napa Valley Unified School District - Audited Financial Statements for fiscal years 2010-11 through 2013-14.

## District Budget and Interim Financial Reporting

**Budgeting and Interim Reporting Procedures.** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Napa County Superintendent of Schools (the "**County Superintendent**").

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("**A.B. 1200**") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the

applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

***District's Budget Approval/Disapproval and Certification History.*** During the past five fiscal years, each of the District's interim reports has received positive certifications from the County Superintendent. The District's Board has recommended a positive certification for the fiscal year 2014-15 Second Interim Report.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Napa Valley Unified School District, 2425 Jefferson Street, Napa, California 94558; phone (707) 253-3715. The District may impose charges for copying, mailing and handling.

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**District's 2014-15 Budget.** The following table shows the General Fund budgeted and estimated actual figures for fiscal year 2014-15 and General Fund budgeted figures for fiscal year 2015-16.

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Fiscal Years 2014-15 and 2015-16 Budget<sup>(1)</sup>**  
**Napa Valley Unified School District**

	Adopted Budget 2014-15	Estimated Actuals 2014-15	Adopted Budget 2015-16
<b>REVENUES</b>			
LCFF Sources <sup>2</sup>	\$127,074,580	\$126,447,460	\$141,389,798
Federal	11,227,608	13,843,560	8,923,864
Other State	7,863,033	8,761,854	15,857,585
Other Local	4,267,687	4,511,281	2,950,356
Total Revenues	150,432,908	153,564,155	169,121,603
<b>EXPENDITURES</b>			
Certificated Salaries	79,955,839	82,013,109	80,973,050
Classified Salaries	25,264,466	26,243,061	26,647,277
Employee Benefits	24,495,897	24,365,989	24,723,958
Books and Supplies	12,000,299	10,338,628	7,390,491
Services, other operating expenses	19,133,729	21,267,222	18,845,992
Capital Outlay	598,346	1,533,804	760,154
Other Outgo (Excl. Indirect Costs)	32,302	32,302	32,302
Indirect/Direct support costs	(292,893)	(300,131)	(395,406)
Total Expenditures	161,187,985	165,493,984	158,977,818
Revenues Over (Under) Expenditures	(10,755,078)	(11,929,828)	10,143,785
<b>OTHER FINANCING SOURCES</b>			
Operating Transfers In	5,151,349	5,151,349	--
Operating Transfers Out	(1,955,333)	(1,955,333)	(5,492,052)
Net Financing Sources (Uses)	3,196,016	3,196,016	(5,492,052)
Net Change in Fund Balance	(7,559,061)	(6,733,811)	4,651,733
Fund Balance, July 1 <sup>3</sup>	10,294,390	10,294,390	1,560,679
Fund Balance, June 30	\$2,735,329	\$1,560,579	\$6,212,312

(1) Totals may not foot due to rounding.

(2) LCFF commenced in fiscal year 2013-14.

(3) Beginning fund balance does not correspond to audited ending fund balance because unaudited actuals and budget do not account separately for reserves, which are shown on a combined basis with the General Fund in the audited financial statements.

Source: Napa Valley Unified School District Second Interim Budget Report 2014-15; Adopted Budget 2015-16.

**Assumptions Used with Respect to 2015-16 Budget.** The District's fiscal year 2015-16 Budget was adopted on June 25, 2015. Financial assumptions for budget development included: LCFF gap funding, increased Federal and State revenues due to extended financial support as a result of the 6.0 magnitude earthquake on August 24, 2014, increased employer costs for STRS and PERS, and increased administrative, special services, certificated and classified staffing over the prior year staffing levels. The District updates its budget three times following original adoption.

**District Reserves.** The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an



expenditure by the District in the future. The District maintains an unrestricted reserve which meets the State’s minimum requirements.

In connection with legislation adopted in connection with the State’s fiscal year 2014-15 Budget (“**SB 858**”), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district’s proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State’s Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

In August of 2015, a bill was introduced into the State Senate in response to SB 858 (“**SB 799**”) proposing reforms to the reserve cap. SB 799 proposes a cap on unassigned reserves and special reserves for other than capital outlay of seventeen percent, with exemptions from the cap for school districts with less than 2,500 average daily attendance and basic aid districts.

The District cannot predict how SB 858 or SB 799, if enacted, will impact its reserves and future spending. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS-2014-15 State Budget.”

**Attendance - Revenue Limit and LCFF Funding**

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula, which considered a revenue limit per unit of average daily attendance (“**ADA**”). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, supplemental funding, and may be eligible for concentration grants and funding based on an economic recovery target. The following two tables set forth historical revenue limit funding for the District through fiscal year 2012-13, and LCFF funding for the District for fiscal year 2013-14 and 2015-16 (Budgeted).

**AVERAGE DAILY ATTENDANCE AND FUNDED REVENUE LIMIT  
Fiscal Years 2010-11 through 2012-13  
Napa Valley Unified School District**

<b>Fiscal Year</b>	<b>P-2 ADA</b>	<b>Funded Revenue Limit Per ADA<sup>(2)</sup></b>
2010-11	16,976	\$5,232
2011-12	15,015	5,177
2012-13	15,153	5,234

(1) Excludes the District’s charter schools.  
 (2) Funded figures reflect actual funding after application of deficit factor.  
 Source: Napa Valley Unified School District.

**AVERAGE DAILY ATTENDANCE AND LCFF  
Fiscal Years 2013-14 through 2015-16  
Napa Valley Unified School District  
ADA, Enrollment and Target Student Percentages (LCFF Implemented)**

<b>Fiscal Year</b>	<b>ADA<sup>(1)</sup></b>	<b>LCFF "Phase-In" Entitlement Per ADA<sup>(2)</sup></b>
2013-14	15,945	6,523
2014-15	16,512	7,156
2015-16	16,512	8,062

*(1) P-2 and Budgeted for Fiscal Years 2014-15. Excludes the District's charter schools.*

*(2) Represents the average across grade spans.*

*Source: Napa Valley Unified School District.*

**Revenue Sources**

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

**LCFF Sources.** District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) 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.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

**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 other State revenues.

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 instruction material.

For additional discussion of State aid to school districts, see “-State Funding of Education.”

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

**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. Due to the implementation of the Public Employee Pension Reform Act of 2013 (“**PEPRA**”) (see below summary), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll and for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by State statute. The District’s contributions to STRS for the past three and current budgeted fiscal years are set forth in the following table. These contributions represent 100 percent of the required contribution for each year.

**STRS Contributions  
Napa Valley Unified School District  
Fiscal Years 2012-13 through 2015-16 (Projected)**

<u>Fiscal Year</u>	<u>Amount</u>
2012-13	\$5,779,404
2013-14	6,180,654
2014-15*	7,129,865
2015-16†	8,394,580

\* Estimated actual in 2015-16 Budget Report.  
 † Projected in 2015-16 Budget Report.  
 Source: Napa Valley Unified School District.

New Legislation Regarding STRS Contributions Implemented in FY 2014-15. In connection with the State’s adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (“**AB 1469**”), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan (see below section entitled “State Pension Trusts”). AB 1469 addresses the funding gap by increasing contributions of Plan members,

employers (including the District) and the State commencing in fiscal year 2014-15. Pursuant to AB 1469, employer contribution rates to the STRS plan will increase over the next seven years, from the contribution rate of 8.25% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046. STRS employer contribution rates under AB 1469 for fiscal years 2014-15 through 2020-21 are summarized in the following table.

**AB 1469 STRS Employer Contribution Rates**

<b>Fiscal Year</b>	<b>% Increase From FY 2013-14 Rate* Under AB 1469</b>	<b>Total Contribution Rate</b>
2014-15	0.63%	8.88%
2015-16	2.48	10.73
2016-17	4.33	12.58
2017-18	6.18	14.43
2018-19	8.03	16.28
2019-20	9.88	18.13
2020-21	10.85	19.10

\*Fiscal year 2013-14 rate of 8.25%.

**PERS.** All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within PERS. As a result of the implementation of PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of covered payroll and for fiscal year 2014-15 was 11.771% of covered payroll.. The contribution requirements of the plan members are established by State statute. The District's contributions to PERS for the past three and current projected fiscal years are set forth in the following table. These contributions represent 100 percent of the required contribution for each year.

**PERS Contributions  
Napa Valley Unified School District  
Fiscal Years 2011-12 through 2014-15 (Projected)**

<b>Fiscal Year</b>	<b>Amount</b>
2012-13	\$2,755,225
2013-14	2,925,614
2014-15*	3,134,154
2015-16†	3,100,326

\*Estimated actual in 2015-16 Budget Report.

†Projected in 2015-16 Budget Report.

Source: Napa Valley Unified School District.

PERS Board Adopts New Employer Contribution Rates. On April 16, 2014, the Board of Administration of PERS approved new contribution rates beginning on July 1, 2014. School district employer contribution rates will reflect new demographic assumptions and other changes

in actuarial assumptions, which were adopted by the Board of Administration of PERS in February 2014. The new assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over twenty years and the increases phased in over the first five years. These new employer contribution rates continue to recognize asset losses from prior years. Projected employer contribution rates for school districts are as follows:

**Projected PERS Contribution Rates for School Districts**

<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
11.7%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

*Source: California Public Employees' Retirement System*

**State Pensions Trusts.** Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to PERS can vary annually depending on changes in actuarial assumptions and other factors, such as liability. Contributions to STRS can only be changed legislatively. Both PERS and STRS have substantial State unfunded actuarial liabilities, being \$8.7 billion for PERS as of June 30, 2014 (the date of the last actuarial valuation for PERS) and \$72.7 billion for STRS as of June 30, 2014 (the date of the last actuarial valuation for STRS). As described above, AB 1469 was enacted in connection with the State's 2014-15 Budget in an attempt to reduce and eliminate the unfunded liability of the STRS pension plan, and the PERS Board has recently taken actions to increase contribution rates in order to address unfunded liabilities.

Both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. More information regarding STRS and PERS can also be obtained at their websites, [www.calstrs.com](http://www.calstrs.com) and [www.calpers.ca.gov](http://www.calpers.ca.gov), respectively. However, information in the financial reports and on the websites is not incorporated in this Official Statement by reference. See also the following paragraph on recent pension reform legislation.

**Pension Reform Act of 2013 (Assembly Bill 340).** On September 12, 2012, Governor Brown signed AB 340, enacting the California Public Employees' Pension Reform Act of 2013 ("PEPRA") and amending various sections of the California Education and Government Codes. AB 340 (i) increased the retirement age for new State, school, and city and local agency employees depending on job function, (ii) capped the annual PERS and STRS pension benefit payouts, (iii) addressed numerous abuses of the system, and (iv) required State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the Districts, have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS has predicted that the impact of AB 340 on employees and employers, including the Districts and other employers in the STRS system, will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS has noted that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, the provisions of AB 1469 effective as of July 1, 2014 effectively addressed the contribution requirements of STRS members, employers and the State.

More information about AB 340 can be accessed through the PERS' web site at [www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST](http://www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST) and through the STRS web site at [http://www.calstrs.com/Newsroom/whats\\_new/AB340\\_detailed\\_impact\\_analysis.pdf](http://www.calstrs.com/Newsroom/whats_new/AB340_detailed_impact_analysis.pdf). *The references to these internet websites 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.*

## **Other Post-Employment Retirement Benefits**

***The Plan Generally.*** Certificated retirees (including Certificated Management and Certificated Pupil Services) will be eligible for a District contribution of up to \$425 per month towards medical premiums under one of the California Public Employees Medical and Hospital Care Act ("**PEMHCA**") options if the retiree has attained age 55 and has completed at least 10 years of service. 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 the age plus years of service equals at least 65.

The District provides continued coverage for eligible retirees until age 65. Coverage for spouses and eligible dependent children may be provided by the retiree paying the required additional premium.

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

Two grandfathered retirees are currently receiving lifetime District-paid premiums.

In fiscal year 2013-14, the District incurred expenditures of \$894,295 for post-employment benefits, and has budgeted \$539,519 for 2014-15.

***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 accrued liabilities ("**UAAL**") over a period not to exceed thirty years.

***Annual OPEB Cost and Net OPEB Obligation.*** The District's annual other postemployment benefit ("**OPEB**") cost is calculated based on the annual required contribution

of the employer, an amount actuarially determined in accordance with the parameters of Government Accounting Standards Board Statement No. 45 (“**GASB 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 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, and changes in the District's net OPEB obligation to the Plan:

**OPEB Components for Fiscal Year 2013-14  
Napa Valley Unified School District**

Annual required contribution	\$4,011,024
Interest on net OPEB obligation	546,516
Adjustment to annual required contribution	<u>(790,127)</u>
Annual OPEB cost (expense)	3,767,413
Contributions made	(894,295)
Increase in net OPEB obligation	2,873,118
Net OPEB obligation, beginning of year	<u>13,662,912</u>
Net OPEB obligation, end of year	<b><u>\$16,536,030</u></b>

*Source: Napa Valley Unified School District Audited Financial Statements for Fiscal Year 2013-14.*

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years 2011-12 through 2013-14 are as follows:

<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$3,004,553	32.9%	\$10,865,390
2013	3,817,294	26.7	13,662,912
2014	3,767,413	23.7	16,536,030

*Source: Napa Valley Unified School District Audited Financial Statements for Fiscal Year 2013-14.*

**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:

**Schedule of OPEB Funding Progress  
Napa Valley Unified School District**

<b>Fiscal Year Ended June 30</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
2012	July 1, 2010	--	\$25,495,236	\$25,495,236	0%	\$21,921,626	116%
2013	July 1, 2012	--	34,105,000	34,105,000	0	23,017,700	148
2014	July 1, 2012	--	34,105,000	34,105,000	0	24,168,585	141

Source: Napa Valley Unified School District Audited Financial Statements for Fiscal Year 2013-14.

**Actuarial Methods and Assumptions.** 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.

**Charter Schools**

There are three charter schools that are operated by the District in the 2014-15 school year under charter granted by the Board of Education. 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.

**Investment of District Funds**

In accordance with Government Code Section 53600 *et seq.*, the San Luis Obispo 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 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. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS” below.

### **State Funding 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 (“**ADA**”). Such apportionments will, generally speaking, amount to the difference between the District’s revenue limit and a 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.

“Basic aid” is the minimum general purpose aid guaranteed by the State’s constitution for each school district in California. The amount is \$120 per student (using ADA) or \$2,400 per district, whichever number is greater. A basic aid district is one whose local property taxes meets or exceeds its revenue limit. A basic aid district keeps the money from local property taxes and still receives the constitutionally guaranteed state basic aid funding. However, in fiscal year 2002-03, the State eliminated the \$120 per student basic aid due to budget constraints and such basic aid has not been reinstated in subsequent budgets.

Out of California’s nearly 1,000 elementary, high school, and unified school districts, typically more than 60 are basic aid districts. However, this number changes from year to year as local property tax revenues and enrollments fluctuate. A district can be a revenue limit district one year and basic aid the next. The District is not a basic aid district.

### **Other District Funds**

The District maintains certain segregated funds outside its general fund not pledged to the payment of the Notes except for the Special Reserve Fund for Other Than Capital Outlay and the County Schools Facilities Fund, which are both included in the District’s cash flow presented herein. The Special Reserve Fund for Other Than Capital Outlay serves as a part of the “reserve for economic uncertainty” mandated by the State and may be accessed for general fund purposes without restriction or pay back requirement (other than the requirement to budget sufficiently to meet the reserve for economic uncertainty requirement each year). The County Schools Facilities Fund is where State facilities program grants are deposited. Certain other District funds could, if need be and to the extent monies are available therein, be accessed on a temporary basis through District Board of Education action and must be repaid within the fiscal year borrowed, or in the following fiscal year under certain circumstances. Among such funds are the District’s adult education, building, deferred maintenance and self-insurance funds, the June 30th ending fund balances for which are shown below for fiscal years 2012-13 and 2013-14 (audited), fiscal year 2014-15 (estimated) and fiscal year 2015-16 (budgeted):

**NAPA VALLEY UNIFIED SCHOOL DISTRICT**  
**Other District Funds**

<b>Fund</b>	June 30, 2013 Fund Balance <sup>(1)</sup>	June 30, 2014 Fund Balance <sup>(1)</sup>	June 30, 2015 Estimated Actuals <sup>(2)</sup>	June 30, 2016 Budgeted <sup>(2)</sup>
<b>Charter School Fund</b>	<b>\$3,604,836</b>	<b>\$1,764,679</b>	<b>\$140,300</b>	<b>\$542,817</b>
<b>Special Revenue Funds</b>				
Adult Education	1,381,984	556,472	113,475	8,065
Child Development	69,380	203,159	1,849	2,078
Cafeteria	384,553	338,646	--	--
Subtotal	5,440,753	2,862,956	255,624	552,960
<b>Capital Projects Funds</b>				
Capital Facilities	2,431,057	2,482,821	237,293	143,204
Special Reserve for Capital Outlay Projects	2,430,578	1,501,023	322,555	688,348
<b>Total Other District Funds</b>	<b>\$10,302,388</b>	<b>\$6,846,800</b>	<b>\$815,472</b>	<b>\$1,384,512</b>

(1) From Audited Financial Statements.

(2) 2015-16 Adopted Budget. Lower fund balances than the previous years (audited) are due to one-time curriculum and technology infrastructure expenditures.

Source: Napa Valley Unified School District.

## Existing Debt Obligations

**General Obligation Bonds.** 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. The following table summarizes the outstanding general obligation bond debt.

<b>Issue Date</b>	<b>Series</b>	<b>Original Principal Amount</b>	<b>Outstanding July 1, 2015</b>
05/16/2006	Election of 2002, GOB, Series 2006	\$35,000,000	\$1,285,000
05/17/2007	Election of 2006, GOB, Series 2007	90,000,000	71,965,000
05/17/2007	2007 GO Refunding Bonds	12,230,000	9,475,000
08/04/2009	GOBs, Series 2009A and 2009B	30,000,000	28,565,000
11/10/2009	GOBs, Election of 2006, Series 2009C	21,877,730	21,877,730
02/04/2010	GOBs, Series 2010A	7,122,270	7,122,270
02/04/2010	GOBs, Series 2010B	34,000,000	34,000,000
02/04/2010	2010 GO Refunding Bonds	14,405,000	14,405,000
06/20/2012	2012 GO Refunding Bonds	26,060,000	22,205,000
05/29/2013	2013 GO Refunding Bonds	48,515,000	47,675,000
Total		\$319,210,000	\$258,575,000

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. The District's general obligation bonds are payable from *ad valorem* taxes levied on taxable parcels in the District, not from the District's general fund.

## STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

### State Funding of Education

**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% of their operating revenues from various State sources. The primary source of funding for school districts is funding under the LCFF, which is a combination of State funds and local property taxes (see “DISTRICT FINANCIAL INFORMATION – Education Funding Generally” above). State funds typically make up the majority of a district’s LCFF entitlement

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 Purchaser 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.*

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

**Prior Years' Budgeting Techniques.** Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2014-15 State Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2010 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

**2013-14 State Budget: Significant Change in Education Funding.** As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

## 2015-16 Adopted State Budget

On June 25, 2015, Governor Brown signed the 2015-16 Budget Act (the "**2015-16 State Budget**"), spending \$115.4 billion in general fund revenues, which is \$900 million more in general fund revenues than in the revised fiscal year 2014-15 spending level. The 2015-16 Budget represents a \$7.4 billion increase, or 6.9%, over the pre-revision fiscal year 2014-15 spending plan. The 2015-16 State Budget is balanced, and, by the end of fiscal year 2015-16, the Budget Stabilization Account will have a total balance of \$3.5 billion.

The 2015-16 State Budget allocates a reserve of \$4.6 billion dollars, including \$3.5 billion in the State's Budget Stabilization Account, also known as the State's rainy day fund. Proposition 2, passed in 2014, requires the State to divert at least 1.5% of its revenue each year to pay down debts and build its rainy day fund. The 2015-16 State Budget allocates \$1.9 billion

to the reserve, while another \$1.9 billion is allocated to retire debt and other State liabilities. This adds to the \$1.6 billion already in the reserve, bringing the total to \$3.5 billion. In addition the State Budget sets aside another \$1.1 billion in its short-term reserve, bringing total reserves to \$4.6 billion by the end of fiscal year 2015-16.

***K - 12 Budget Adjustments.*** The 2015-16 State Budget provides funding of \$68.4 billion for the fiscal year for all K-12 programs, an increase of 12.4% above the funding level adopted in the 2014-15 Budget. The 2014-15 State Budget also provides \$4.7 billion for the second year of implementing the LCFF and continues to commit most new funding to districts serving English language learners, students from low-income families, and youth in foster care. The Education Budget Trailer Bill ("**SB 858**") is included in the 2014-15 State Budget and contains two separate provisions that have the potential to affect district reserve funds. In addition, the 2014-15 State Budget includes the following:

- Local Control Funding Formula. The 2015-16 State Budget includes an increase of \$6 billion provided for Proposition 98 to continue the State's transition to the LCFF, which brings LCFF funding to \$52 billion, a 13% year-over-year increase. The \$6 billion represents a 51.5% closure of the remaining LCFF funding gap.
- K-12 Mandates. The 2015-16 State Budget provides \$3.8 billion in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of state-mandated programs and pay off the K-12 mandates backlog. Of this amount, \$3.2 billion will be provided to K-12 school districts on a per-ADA basis and is available for discretionary purposes such as implementation of Common Core standards (professional development, teacher training, purchase of instructional materials and technology infrastructure) or for other one-time purposes, such as maintenance and deferred maintenance. \$600 million will be provided to community colleges. The outstanding mandate repayment backlog now stands to be \$1.5 billion.
- Early Childhood Development and Child Care. The 2015-16 State Budget provides \$2.8 billion for child care and preschool programs, an increase of \$423 million above the 2014-15 State Budget. This includes \$1.6 billion for non-CalWORKs programs, \$1.1 billion for CalWORKs programs, and \$150 million for support programs. The increase for child care and early childhood development programs is provided through a combination of an increase in slots for enrollment and an increase in reimbursement rates for programs.
- K-12 Deferrals. The 2015-16 State Budget provides approximately \$991 million in Proposition 98 funding to eliminate deferrals for K-12 expenses consistent with the revenue trigger included in the 2014-15 State Budget.
- Career Technical Education Pathways Program. The 2015-16 State Budget establishes the Career Technical Education ("**CTE**") Incentive Grant Program and provides \$400 million in fiscal year 2015-16 for local education agencies to establish new or expand high-quality CTE programs. School districts, county offices of education, and charter schools receiving funding under this program will be required to provide local-to-State matching funds of 1:1 in fiscal year 2015-16. Established in the 2013 Budget Act, the CTE Program provides grant awards to improve career technical programs and linkages between employers, schools and community colleges.

- Adult Education Block Grant. The 2015-16 State Budget provides \$500 million for the Adult Education Block Grant. This funding is provided through the consortia of local school districts and community colleges created pursuant to the 2013-14 State Budget. The funding may be used for adult education priority areas including elementary and secondary basic skills, citizenship and English as a second language, workforce programs for older adults, programs to help older adults assist children in school, programs for adults with disabilities, career technical education, and pre-apprenticeship programs.
- Teacher Effectiveness Block Grant. The 2015-16 State Budget provides \$500 million of Proposition 98 funding for a one-time Teacher Effectiveness Block Grant to be used for professional development. This professional development money is distributed on a per-certificated personnel FTE basis (approximately \$1,600 per certificate FTE), allowing three years to encumber. These funds can be used for both teachers and administrators, pursuant to board direction.
- Special Education. The 2015-16 State Budget includes \$67 million for special education-related activities. The largest ongoing augmentation in this package is for expanding services to infants, toddlers, and preschoolers with disabilities. The budget provides \$30 million to districts to serve children with disabilities between the ages of birth and three years, \$12 million to fund 2,500 additional slots in part day state preschool with a priority given to children with disabilities, \$10 million as a one-time investment to provide technical assistance and build statewide resources to help implement school wide systems of support and intervention, \$6 million for staff and parent training, and \$4 million in federal funding to support dispute resolutions surrounding special education placement and technical assistance.
- K-12 High-Speed Internet Access. The 2015-16 State Budget includes \$50 million in one-time Proposition 98 funding to support Internet connectivity and infrastructure for schools. The funds will be allocated through the Broadband Infrastructure Improvement Grand ("**BIIG**") program administered by the K-12 High Speed Network. Any remaining funds available after all reasonable solutions have been funded through the BIIG program may be used to fund under-connected sites upon approval of the Department of Finance.
- Independent Study. The 2015-16 State Budget removed the grade span criteria and states that it cannot be greater than other district programs, unless bargained.

**Higher Education.** The 2015-16 State Budget includes total funding of \$29.2 billion for all programs within California Community Colleges, California State University ("**CSU**"), University of California ("**UC**"), the Student Aid Commission, and other entities. This includes \$217 million in new ongoing funding for the CSU system and \$120 million in new ongoing funding for the UC system, as well as temporary funding from Proposition 2 to assist in paying down UC's unfunded pension liability. The 2015-16 State Budget also holds tuition for California undergraduate students flat through fiscal year 2016-17.

**Health Care.** The 2015-16 State Budget includes total funding of \$140.1 billion for all programs that provide health and social services to California's low-income and at-risk residents. The State's adoption of the optional expansion of Medi-Cal under the federal law

known as the Affordable Care Act created major new spending commitments for the State. The 2015-16 Budget assumes an additional Medi-Cal caseload of 3.7 million individuals and costs of \$16.9 billion related to the implementation of the Affordable Care act.

**Earned Income Tax Credit.** The 2015-16 Budget enacts the first ever Earned Income Tax Credit to help the lowest-income California households--households with income less than \$6,580 if there are no dependents or less than \$13,870 if there are three or more dependents. This State program complements the existing federal Earned Income Tax Credit. To support the implementation of this program, the 2015-16 State Budget includes approximately \$22 million, including \$10.4 million for one-time costs.

**Emergency Drought Response.** On January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the State. Legislation was enacted in February 2014, which provided \$687.4 million to support drought relief. The 2015-16 State Budget includes additional \$1.8 billion in one-time resources to continue immediate drought-related efforts started in 2014, for a total of \$3.7 billion over the past two years. Funds will be used by programs administered primarily by the Water Board and Department of Water Resources with the following purposes: \$1.5 billion to protect and expand local water supplies, \$117 million for water conservation efforts, and \$114.9 million for emergency response.

**Numerous Factors Affecting Budget and Projections.** The execution of the 2015-16 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 spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2015-16 State Budget to be unattainable. The District cannot predict the impact that the 2015-16 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 2015-16 State Budget.

**Availability of 2015-16 State Budget.** The complete 2015-16 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://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 Bonds.

**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 Notes to provide State budget information to the District or the owners of the Notes. Although they believe the State sources of information listed above are reliable, neither the District nor the Purchaser 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 Notes 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.

## TAXATION AND APPROPRIATIONS

*The Notes are payable from Pledged Revenues and are not secured by a pledge of ad valorem property taxes levied on taxable property in the District. The following information is provided for information purposes only.*

### **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 under 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 sent to collections 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 deeded to the State and then is subject to sale by the county tax collector.

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, except that supplemental assessment and taxation of property occurs as of the occurrence of a change of ownership or completion of new construction, timely providing 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.

Property taxes on the unsecured roll are due on the 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 to the State for the amount of taxes which are delinquent.

### **Unitary Taxation of Utility Property**

Historically, property of regulated public utilities has been assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction. In 1987, the State Legislature enacted Chapter 921 amending Section 98.9 and various other sections of the Revenue and Taxation Code. The changes call for the establishment in each county of one county-wide tax rate area with the assessed value of all unitary and operating non-unitary utility property being assigned to this tax rate area.

The result is a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions. All of this property is then subjected to a tax at a rate equal to the sum of the following two rates:

- (a) A rate determined by dividing the county's total *ad valorem* tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total *ad valorem* secured roll assessed value for the prior year, and
- (b) A rate determined by dividing the county's total *ad valorem* tax levies for the secured roll for the prior year for debt service only by the county's total *ad valorem* secured roll assessed value for the prior year.

The foregoing process results in the creation of two pools of money, pool 1 being available for general tax purposes and pool 2 for debt service purposes, each pool being then allocated to the various taxing jurisdictions in the county by a statutory formula for the county as a whole.

**Assessed Valuation**

Set forth in the following table is the net assessed valuation for the District for fiscal years 2004-05 through 2014-15.

**NAPA VALLEY UNIFIED SCHOOL DISTRICT  
 Historic Assessed Valuations<sup>(1)</sup>  
 Fiscal Years 2004-05 to 2014-15**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2004-05	\$12,486,603,265	\$9,824,461	\$554,817,487	\$13,051,245,213	--
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	991,039,273	18,809,791,895	1.46
2013-14	18,751,925,628	671,395	956,686,892	19,709,283,915	4.78
2014-15	19,732,432,995	671,395	929,581,850	20,662,686,240	4.84
2015-16	21,052,774,483	671,395	913,137,377	21,966,583,255	6.31

Source: California Municipal Statistics, Inc.

The assessed valuation categories of single-family homes in the District for fiscal year 2014-15 are show below.

**NAPA VALLEY UNIFIED SCHOOL DISTRICT**  
**Average Per Parcel 2014-15 Assessed Valuation of Single Family Homes** <sup>(1)</sup>

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	24,221	\$8,771,739,009	\$362,154	\$322,038

2014-15 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	585	2.415%	2.415%	\$ 24,767,218	0.282%	0.282%
\$50,000 - \$99,999	2,244	9.265	11.680	160,224,024	1.827	2.109
\$100,000 - \$149,999	1,591	6.569	18.249	198,765,083	2.266	4.375
\$150,000 - \$199,999	1,872	7.729	25.977	330,709,091	3.770	8.145
\$200,000 - \$249,999	2,521	10.408	36.386	568,618,078	6.482	14.627
\$250,000 - \$299,999	2,361	9.748	46.134	648,236,970	7.390	22.018
\$300,000 - \$349,999	2,137	8.823	54.956	694,396,327	7.916	29.934
\$350,000 - \$399,999	2,040	8.422	63.379	764,836,568	8.719	38.653
\$400,000 - \$449,999	1,896	7.828	71.207	803,551,005	9.161	47.824
\$450,000 - \$499,999	1,594	6.581	77.788	755,126,125	8.609	56.422
\$500,000 - \$549,999	1,411	5.826	83.613	739,264,256	8.428	64.850
\$550,000 - \$599,999	991	4.091	87.705	568,544,435	6.482	71.332
\$600,000 - \$649,999	732	3.022	90.727	455,648,548	5.195	76.526
\$650,000 - \$699,999	512	2.114	92.841	344,922,826	3.932	80.459
\$700,000 - \$749,999	313	1.292	94.133	226,476,579	2.582	83.040
\$750,000 - \$799,999	267	1.102	95.236	206,931,118	2.359	85.399
\$800,000 - \$849,999	225	0.929	96.164	185,457,136	2.114	87.514
\$850,000 - \$899,999	174	0.718	96.883	152,133,008	1.734	89.248
\$900,000 - \$949,999	132	0.546	97.428	122,034,022	1.391	90.639
\$950,000 - \$999,999	106	0.438	97.865	103,266,756	1.177	91.817
\$1,000,000 and greater	517	2.135	100.000	717,829,836	8.183	100.000
<b>Total</b>	<b>24,221</b>	<b>100.000%</b>		<b>\$8,771,739,009</b>	<b>100.000%</b>	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

**Tax Rates**

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a representative tax rate area during fiscal years 2010-11 through 2014-15.

**NAPA VALLEY UNIFIED SCHOOL DISTRICT**  
**Typical Total Tax Rates (TRA 2-000)**  
**Per \$100 Assessed Value**

	2010-11	2011-12	2012-13	2013-14	2014-15
County General	1.0000	1.0000	1.0000	1.0000	1.0000
City of Napa	.0150	0.150	.0150	.0150	.0150
Napa Valley Community College	.0167	.0245	.0250	.0266	.0261
Napa Valley Unified School District	.0612	.0728	.0654	.0720	.0693
<b>Total</b>	<b>1.0929</b>	<b>1.1123</b>	<b>1.1054</b>	<b>1.1136</b>	<b>1.1104</b>

(1) 2014-15 assessed valuation of TRA 2-000 is \$1,977,778,170.

Source: California Municipal Statistics, Inc.

**Property Tax Collections**

The District's total secured tax collections and delinquencies are apportioned on a County-wide basis, according to the District's designated tax rate amount. Therefore, the total secured tax levies, as well as collections and delinquencies reported, do not represent the actual secured tax levies, collections and delinquencies of tax payers within the tax areas of the District. In addition, the District's total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of the County.

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 the State Revenue and Taxation Code, which requires the County to pay 100% of secured property taxes due to local agencies in the fiscal year such taxes are due. Under these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due on delinquent payments or in the interest which accrues on delinquent payments.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* 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.

So long as the Teeter Plan remains in effect with respect to the District, 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.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

### 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 one% 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, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article 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 two% 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 two% 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 two% 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 Court of Appeal held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. A petition for review of the Court of Appeal's decision was 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 XIII B 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 XIII B also includes a requirement that fifty percent 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. See “Proposition 98” and “- Proposition 111” below.

### **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. 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 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 XIII A, (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 *Santa Barbara 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 XIII B 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 XIII B 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 XIII B 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 XIII B 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. 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**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (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-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in fiscal year 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 amends 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.

**Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and the Propositions 98 and 111 discussed above 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.

**RISK FACTORS**

**Other District Obligations**

The District is currently liable and may become liable on other obligations payable from general revenues. The District has the capacity to enter into other obligations which may constitute additional charges against Unrestricted Revenues. To the extent that additional obligations are incurred by the District, the funds available to make debt service payments on the Notes may be decreased. If the District’s revenue sources are less than its total obligations, the District could choose to fund other activities before making debt service payments on the Notes.

**Loss of Tax Exemption**

As discussed under the heading “TAX MATTERS,” certain acts or omissions of the District in violation of its covenants in the District Resolution could result in the interest on the Notes being includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Notes. Should such an event of taxability occur, the Notes would not be subject to a special redemption and would remain outstanding.

**Economic Conditions in California**

The State of California, upon which the District relies for a substantial portion of its revenues, has experienced budget shortfalls in certain prior fiscal years. Decreases in State revenues may significantly affect appropriations made by the State to school districts, and the timing of payment to school districts by the State may depend upon the ability of the State to access the credit markets with respect to its own cash flow borrowings. If State monies are not available to meet obligations in a timely manner, school funding along with certain other services, are given priority under the State Constitution. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education.”

## **Bankruptcy Considerations**

In 1994, Orange County, California issued its 1994-1995 Tax and Revenue Anticipation Notes (the "**Orange County Notes**") under the same statutory authority as the Notes. On December 6, 1994, Orange County filed a petition in bankruptcy. Subsequently, Orange County declined to set aside the taxes and revenues it had pledged for the repayment of the Orange County Notes and a Noteholder brought suit to compel Orange County to do so. A March 8, 1995 ruling of the United States Bankruptcy Court for the Central District of California, held that the lien securing the Orange County Notes did not attach to revenues received by Orange County after the filing of its bankruptcy petition on December 6, 1994, and therefore, Orange County was not required to set aside the revenues pledged under the note resolution following the bankruptcy. The Bankruptcy Court ruled that under the United States Bankruptcy Code, the lien did not attach to revenues received by Orange County after December 6, 1994 because the lien was a consensual security interest rather than a statutory lien. In July 1995, the United States District Court for the Central District of California reversed the decision of the Bankruptcy Court. Orange County appealed the decision of the District Court to the United States Court of Appeals for the Ninth Circuit. Before the Ninth Circuit rendered a decision the parties settled their disputes. Accordingly, if the County were to file for bankruptcy, it is not clear whether it would be required to set aside Pledged Revenues as described above.

In addition, the Pledged Revenues and other moneys that will be set aside to pay the Notes will be held in the County's pooled investment fund. Should the County go into bankruptcy, a court might hold that the Owners of the Notes do not have a valid lien on the Pledged Revenues. In that case, unless the Owners could "trace" the funds, the Owners would merely be unsecured creditors of the County. There can be no assurance that the Owners of the Notes could successfully so "trace" the Pledged Revenues.

## **Limitations on Remedies**

The rights of the owners of the Notes are subject to the limitations on legal remedies against school districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

In addition, enforceability of the rights and remedies of the owners of the Notes and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## CONTINUING DISCLOSURE

The District will enter into a Continuing Disclosure Certificate, to be dated the date of delivery of the Notes (the “**Continuing Disclosure Certificate**”), which provides for the filing of the occurrence of certain listed events. Any notices required to be filed pursuant to the Continuing Disclosure Certificate 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 Purchaser of the Notes in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

The District has made prior undertakings pursuant to the Rule. Specific instances of non-compliance in the previous five years include (i) the Annual Report for fiscal year 2013-14 included the First Interim Report rather than the Second Interim Report at the time of filing, (ii) certain insured ratings changes were not filed in a timely manner. Such errors have since been remediated. Identification of such instances of non-compliance does not constitute a representation that such non-compliance has been determined to be material pursuant to the Rule.

The District elected to participate in the Securities and Exchange Commission’s Municipalities Continuing Disclosure Cooperation Initiative (the “**Initiative**”) prior to the December 1, 2014 filing deadline. The purpose of the Initiative was to encourage issuers and underwriters of municipal securities to self-report possible violations involving materially inaccurate statements relating to prior compliance with their continuing disclosure undertakings.

In order to assist in complying with its disclosure undertakings for its outstanding debt, including the Notes, the District has engaged KNN Public Finance to serve as its dissemination agent with respect to all of such undertakings pursuant to the Rule, including for the Notes.

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.

The District elected to participate in the Securities and Exchange Commission’s (the Municipalities Continuing Disclosure Cooperation Initiative (the “**Initiative**”) prior to the December 1, 2014 filing deadline. The purpose of the Initiative is to encourage issuers and underwriters of municipal securities to self-report possible violations involving materially inaccurate statements relating to prior compliance with their continuing disclosure undertakings.

## TAX MATTERS

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 Notes 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 Notes. 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 Notes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Note is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Note 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.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Note (said term being the shorter of the Note'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 Note for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Note is amortized each year over the term to maturity of the Note on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Under the Tax Code, original issue discount is generally 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. However, in the case of short-term tax-exempt obligations (such as the Notes), Notice 94-84 issued by the Internal Revenue Service provides generally that, until the Service provides further guidance, taxpayers may treat stated interest on certain short-term obligations, such as the Notes, either as includible in stated redemption price at maturity or as not included in stated redemption price at maturity. A taxpayer, however, must treat stated interest payable at maturity on all short-term tax-exempt bonds in a consistent manner. A short-term tax-exempt bond is defined as a tax-exempt bond with a term that is not more than one year from the date of issue.

*De minimis* original issue discount and original issue premium is disregarded. Owners of Notes with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Notes.

The opinions set forth in the preceding paragraphs are subject to the condition that the County and the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Notes in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The County and the District have 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 Notes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

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

Owners of the Notes should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Notes 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 Notes other than as expressly described above,

including any federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

The form of Bond Counsel opinion for the Notes is attached hereto as Appendix B.

### **CERTAIN LEGAL MATTERS**

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render an opinion with respect to the validity and enforceability of the County Resolution and as to the validity of the Notes. Jones Hall, A Professional Law Corporation, San Francisco, California is serving as Disclosure Counsel in connection with the issuance of the Notes.

### **ABSENCE OF LITIGATION**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance or sale of the Notes or in any way contesting or affecting the validity of the Notes or any proceedings of the District or the County taken with respect to the issuance and sale of the Notes.

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

### **RATINGS**

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., ("**S&P**") has assigned a rating of "SP-1+" to the Notes and Moody's Investors Service, Inc. ("**Moody's**") has assigned a rating of "MIG 1" to the Notes. Such ratings reflect only the view of such organization and an explanation of the significance of the ratings may be obtained from S&P or Moody's. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such organizations if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes. The District has no obligation to take actions to maintain any rating on the Notes.

## COMPETITIVE SALE OF NOTES

The Notes were sold pursuant to a competitive bidding process on \_\_\_\_\_, 2015 pursuant to the terms set forth in an Official Notice of Sale (the “**Official Notice of Sale**”) for the Notes.

The Notes were awarded to \_\_\_\_\_ (the “**Purchaser**”), whose proposal represented the lowest true interest cost for the Notes as determined in accordance with the Official Notice of Sale. The Purchaser has agreed to purchase the Notes at a price of \$\_\_\_\_\_, which is equal to the initial principal amount of the Notes of \$\_\_\_\_\_ plus an original issue premium of \$\_\_\_\_\_, less a Purchaser’s discount of \$\_\_\_\_\_. The Purchaser intends to offer the Notes to the public at the offering prices set forth on the inside cover page of this Official Statement. The Purchaser may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Purchaser.

## PROFESSIONALS INVOLVED IN THE OFFERING

The following professionals have performed professional services in connection with the issuance of the Notes: KNN Public Finance, A Division of Zions Public Finance Inc., Oakland, California has acted as financial advisor to the District; and Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Bond Counsel and Disclosure Counsel to the District. The fees of these professionals will be paid contingent on the issuance of the Notes.



## **EXECUTION**

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

### **NAPA VALLEY UNIFIED SCHOOL DISTRICT**

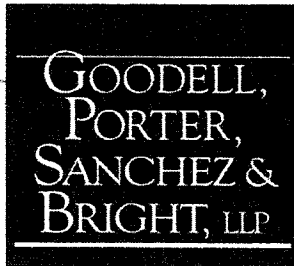
By: \_\_\_\_\_  
Assistant Superintendent, Business Services

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**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS**  
**OF THE DISTRICT FOR FISCAL YEAR 2013-14**

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December 11, 2014



BENJAMIN GOODELL, CPA  
CHRISTOPHER PORTER, CPA  
REYDRENE SANCHEZ, CPA  
SCOTT BRIGHT, CPA  
RICHARD J. GOODELL, CPA  
MICHAEL J. HANSON, CPA

To The Board of Education  
Napa Valley Unified School District  
2425 Jefferson St  
Napa, CA 94558-4931

CERTIFIED  
PUBLIC  
ACCOUNTANTS

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Napa Valley Unified School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated March 26, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Napa Valley Unified School District's financial statements was:

Management's estimate of the annual required contribution for other post-employment benefits based on an actuarial calculation. We evaluated the key factors and assumptions used to develop the annual required contribution and determined that it is reasonable, in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statement is Note 1 - Significant Accounting Policies.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

An entry was recorded to adjust General Fund supplies inventory to the June 30, 2014 actual balance which increased General Fund balance \$8,828.

An entry was recorded to eliminate the balance in the Flex 125 Plan account at Rabobank which decreased General Fund balance \$88,751.

An entry was recorded to the Cafeteria Fund to adjust inventory to the June 30, 2014 balance. This entry increased the Cafeteria Fund balance \$18,887.

An entry was recorded to the Self-Insurance Fund to adjust the cash balance in the West America Bank account. This entry decreased the Self-Insurance Fund balance \$113,248.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representation*

We have requested certain representations from management that are included in the attached management representation letter dated December 5, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

We were engaged to report on other supplementary information which accompany the financial statements but are not required supplementary information.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

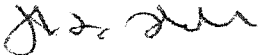
We applied certain limited procedures to management's discussion and analysis, budgetary comparisons and accounting by employer for postemployment benefits, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Napa Valley Unified School District  
Page Four  
December 11, 2014

This information is intended solely for the use of the Board of Education and management of Napa Valley Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP



John L. Goodell  
Certified Public Accountant

JLG:jn



Napa Valley Unified School District  
 Schedule of Unrecorded Adjustments  
 As of and for the Year Ended June 30, 2014

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The following items represent potential adjustments that were not recorded as adjustments to the financial statements because they are considered immaterial both individually and in the aggregate.

<u>Fund</u>	<u>Debit</u>	<u>Credit</u>
<u>General Fund</u>		
Revolving Account	\$ 118	
Other Local Revenue		\$ 118
<i>To adjust cash to actual.</i>		
<u>Cafeteria Fund</u>		
Accounts Receivable	\$2,485	
Other Local Revenue		\$2,485
<i>To adjust food sales revenue to actual.</i>		
Cash in County Treasury	\$ 782	
Other Local Revenue		\$ 782
<i>To record discrepancy between CIT and county reconciliation.</i>		

We did not adjust the amount reported for Cash in County Treasury at June 30, 2014 to the current fair value amount. Had we recorded the adjustment, the District's total amount reported as Cash in County Treasury would decrease \$96,124.

December 5, 2014

Goodell, Porter, Sanchez & Bright, LLP  
7801 Folsom Blvd. #301  
Sacramento, CA 95826

This representation letter is provided in connection with your audit of the financial statements of Napa Valley Unified School District, which comprise the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 5, 2014, the following representations made to you during your audit.

#### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 26, 2014, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Napa Valley Unified School District is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Governing Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government-Specific**

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. We have a process to track the status of audit findings and recommendations.
21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objective and whether related recommendations have been implemented.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. The Napa Valley Unified School District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts and legal and contractual provisions for reporting specific activities in separate funds.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contract and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
29. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
30. The Napa Valley Unified School District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The Napa Valley Unified School District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.

34. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial users.
35. Components of net position (net investment in capital assets, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
36. Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statements of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
42. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
43. We have appropriately disclosed the Napa Valley Unified School District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.
44. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
45. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
46. With respect to the supplementary information:
  - a. We acknowledge our responsibility for presenting the supplementary information. In accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information and the auditor's report thereon.

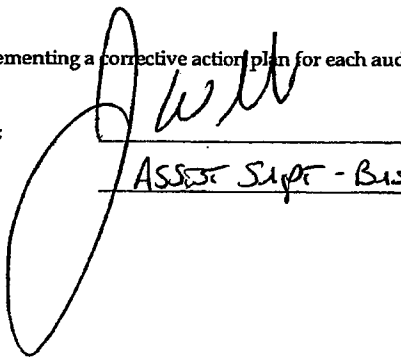
47. With respect to federal award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to the schedule of expenditures of federal awards.
- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contract and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements, including when applicable, those set forth in *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance) have occurred subsequent to the date as of which compliance was audited.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v. We are responsible for the auditee section of the Data Collection Form as required by OMB Circular A-133.
- w. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signed:

Title:

  
ASST Supt - Business

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
COUNTY OF NAPA  
NAPA, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2014



NAPA VALLEY UNIFIED SCHOOL DISTRICT

JUNE 30, 2014

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NAPA VALLEY UNIFIED SCHOOL DISTRICT

JUNE 30, 2014

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NAPA VALLEY UNIFIED SCHOOL DISTRICT

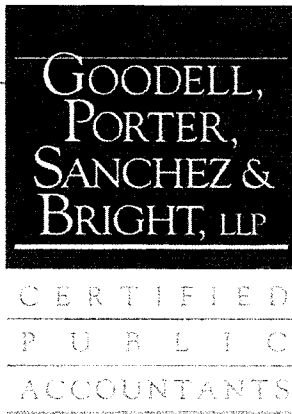
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FINANCIAL SECTION



KEVIN J. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
MELBA A. SANCHEZ, CPA  
SILVIA L. BRIGHT, CPA  
RICHARD J. GOODELL, CPA  
MICHELLE M. HANSON, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Napa Valley Unified School District  
Napa, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Napa Valley Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Napa Valley Unified School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **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, 2014, and the respective changes in financial position and cash flows where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Opinions (Concluded)**

As discussed in Note 15 to the financial statements, in 2014 the Napa Valley Unified School District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and budgetary comparison information and accounting by employer for postemployment benefits on pages 56 and 57 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Napa Valley Unified School District's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The financial and statistical information listed as supplementary 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the Napa Valley Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Napa Valley Unified School District's internal control over financial reporting and compliance.

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

December 11, 2014

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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, 2014. 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 Position 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 \$6.2 million. The largest fund deficits occurred in the County School Facilities Fund (\$3.3 million); The Charter School Fund (\$1.8 million); and The Special Reserve Fund for Capital Outlay Projects (\$930 thousand). The General Fund balance decreased \$66 thousand.
- Capital assets, net of depreciation, decreased by \$7.7 million. Capital asset additions were \$8.3 million and depreciation expense was \$16 million.
- Excluding the charter schools, average daily attendance which provides the primary source of State general funding, increased 792. Total charter school average daily attendance which includes Napa Valley Language Academy, Shearer Elementary School and River Charter School decreased 528, primarily due to the closing of Phillips Charter School. Local Control Funding Formula income increased \$25.6 million from 2013-2014.
- Responding to direction from the State after passage of AB300, the District began seismic upgrades and modernization at several campuses. Phase One of a three phase project should be complete by the Summer of 2014.
- The August 24, 2014, South Napa Earthquake has been categorized as a significant event under parameters set forth by the Federal Emergency Management Agency (FEMA). While the District expects to incur costs related to earthquake repairs over the next few years, the current expectation, based on discussions with FEMA, is that approximately 93.75% of identified and approved expenses will be reimbursable.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

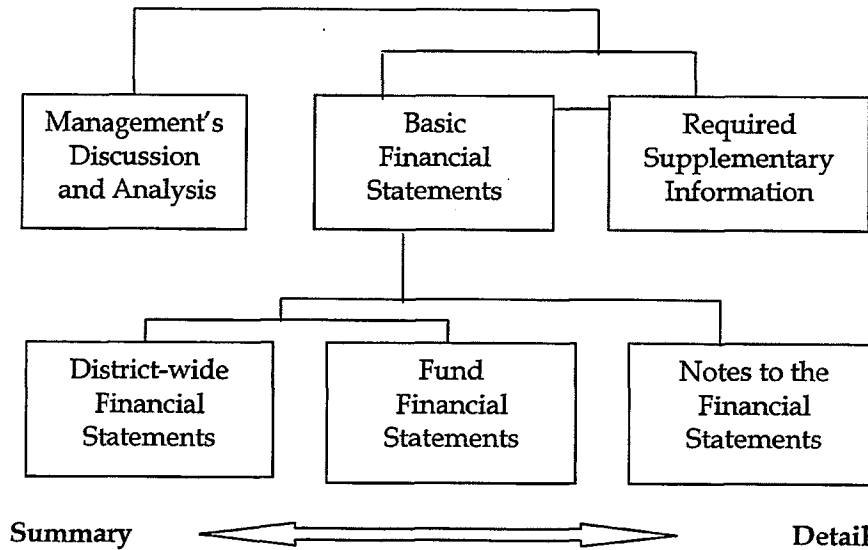
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**FINANCIAL HIGHLIGHTS (CONCLUDED)**

- 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, 2014, the District has reserves for economic uncertainty of \$11,574,235 in the General Fund which represents total available reserves of 8.4%.

**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.



District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.



NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**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 Position. 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 position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position 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, 2014

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**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 Position. 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, 2014

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The District's net position, including capital assets, decreased from \$141,601,788 at June 30, 2013 to \$125,923,567 at June 30, 2014, or 11.1%. A comparative analysis of government-wide data is presented in Table 1.

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

	Governmental Activities		Business-Type Activities		Total	
	(Restated)		2014	2013	2014	2013
	2014	2013				
<b>Assets</b>						
Cash and investments	\$ 60,219,891	\$ 61,638,515	\$ 218,944	\$ 132,978	\$ 60,438,835	\$ 61,771,493
Receivables	9,971,823	17,036,311		2,163	9,971,823	17,038,474
Prepaid expenses	1,135,813	1,095,785		95	1,135,813	1,095,880
Stores Inventory	338,628	291,889			338,628	291,889
Capital assets	373,961,648	381,717,106			373,961,648	381,717,106
Total assets	<u>\$ 445,627,803</u>	<u>\$ 461,779,606</u>	<u>\$ 218,944</u>	<u>\$ 135,236</u>	<u>\$ 445,846,747</u>	<u>\$ 461,914,842</u>
<b>Liabilities</b>						
Accounts payable and other current liabilities	\$ 10,990,895	\$ 12,079,172	\$ 19,904	\$ 20,437	\$ 11,010,799	\$ 12,099,609
Unearned revenue	177,053	145,512			177,053	145,512
Unamortized bond premium	12,524,833	13,271,606			12,524,833	13,271,606
Long-term liabilities	296,210,495	294,681,528			296,210,495	294,681,528
Total liabilities	<u>\$ 319,903,276</u>	<u>\$ 320,177,818</u>	<u>\$ 19,904</u>	<u>\$ 20,437</u>	<u>\$ 319,923,180</u>	<u>\$ 320,198,255</u>
<b>Net Position</b>						
Net investment in capital assets	\$ 106,796,648	\$ 110,482,106			\$ 106,796,648	\$ 110,482,106
Restricted	43,029,227	44,016,349			43,029,227	44,016,349
Unrestricted (Deficit)	(24,101,348)	(12,896,667)	\$ 199,040	\$ 114,799	(23,902,308)	(12,781,868)
Total Net Position	<u>\$ 125,724,527</u>	<u>\$ 141,601,788</u>	<u>\$ 199,040</u>	<u>\$ 114,799</u>	<u>\$ 125,923,567</u>	<u>\$ 141,716,587</u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**GOVERNMENTAL ACTIVITIES**

District net position decreased \$15.8 million during fiscal year 2013-2014.

**(Table 2)  
Comparative Statement of Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues	\$ 27,897,324	\$ 28,916,355	\$ 534,589	\$ 453,055	\$ 28,431,913	\$ 29,369,410
<b>General revenues</b>						
Taxes levied for general purposes	84,822,745	80,979,525			84,822,745	80,979,525
Taxes levied for debt service	14,802,296	13,367,223			14,802,296	13,367,223
Taxes levied for other special purposes	217,616	188,178			217,616	188,178
Federal and State aid not restricted to specific purposes	43,843,539	37,216,840			43,843,539	37,216,840
Interest and investment earnings	167,856	192,082			167,856	192,082
Interagency revenues	630,251	413,358			630,251	413,358
Miscellaneous	3,217,020	2,637,218	110		3,217,130	2,637,218
Total revenues	175,598,647	163,910,779	534,699	453,055	176,133,346	164,363,834
<b>Expenses</b>						
Instruction	108,354,355	102,098,968			108,354,355	102,098,968
Instruction related services	23,500,701	18,207,924			23,500,701	18,207,924
Pupil support services	17,073,640	15,779,868			17,073,640	15,779,868
General administration	11,159,678	8,203,525			11,159,678	8,203,525
Plant services	16,463,317	15,893,789			16,463,317	15,893,789
Ancillary services	937,231	844,901			937,231	844,901
Community services	201,240	214,618			201,240	214,618
Enterprise Activities	22,836	3,659	450,458	416,462	473,294	420,121
Interest on long-term debt	13,742,933	12,601,360			13,742,933	12,601,360
Other	19,977	7,996,796			19,977	7,996,796
Total expenses	191,475,908	181,845,408	450,458	416,462	191,926,366	182,261,870
Increase (Decrease) in net position	\$ (15,877,261)	\$ (17,934,629)	\$ 84,241	\$ 36,593	\$ (15,793,020)	\$ (17,898,036)

Total expenses increased \$9.7 million (5.3%) during fiscal year 2013-2014. The District's expenses were predominantly related to educating and caring for students (78%).

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Comparative Schedule of Costs of Services**

	Total Costs of Services			Net Cost of Services		
	2014	2013	Percentage Change	2014	2013	Percentage Change
Instruction	\$ 108,354,355	\$ 102,098,968	6.1%	\$ (95,560,359)	\$ (86,558,242)	10.4%
Instruction Related Services	23,500,701	18,207,924	29.1%	(19,626,501)	(14,558,670)	34.8%
Pupil Services	17,073,640	15,779,868	8.2%	(8,262,111)	(7,515,413)	9.9%
General Administration	11,159,678	8,203,525	36.0%	(10,401,560)	(7,808,076)	33.2%
Plant Services	16,463,317	15,893,789	3.6%	(15,138,114)	(15,137,363)	0.0%
Ancillary Services	937,231	844,901	10.9%	(604,986)	(546,722)	10.7%
Community Services	201,240	214,618	-6.2%	(189,489)	(206,262)	-8.1%
Enterprise Activities	22,836	3,659	524.1%	(32,554)	(149)	21748.3%
Interest on Long-Term Debt	13,742,933	12,601,360	9.1%	(13,742,933)	(12,601,360)	9.1%
Other Outgo	19,977	7,996,796	-99.8%	(19,977)	(7,996,796)	-99.8%
<b>Totals</b>	<b>\$ 191,475,908</b>	<b>\$ 181,845,408</b>	<b>5.3%</b>	<b>\$ (163,578,584)</b>	<b>\$ (152,929,053)</b>	<b>7.0%</b>

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.

The decrease reflected above for Other Outgo is the result of the issuance costs incurred for the refunding bonds sold in fiscal year 2012-2013.

Program revenues financed 15.3% of the total cost of providing the services listed above, while the remaining 84.7% 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, 2014

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

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Summary of Revenues for Governmental Functions**

	FYE 2014 Amount	Percent of Total	Increase (Decrease) from FYE 2013	Percent Increase (Decrease)*
<b>Program Revenues</b>				
Charges for Services	\$ 2,175,599	1.2%	\$ (30,741)	-1.4%
Operating and Capital Grants and Contributions	25,721,725	14.6%	(988,290)	-3.7%
<b>General Revenues</b>				
Taxes Levied	99,842,657	56.9%	5,307,731	5.6%
Federal and State Aid	43,843,539	25.0%	6,626,699	17.8%
Interest and Investment Earnings	167,856	0.1%	(24,226)	-12.6%
Transfers from other Agencies	630,251	0.4%	216,893	52.5%
Miscellaneous	3,217,020	1.8%	579,802	22.0%
<b>Total Revenues</b>	<b>\$ 175,598,647</b>	<b>100.0%</b>	<b>\$ 11,687,868</b>	<b>7.1%</b>

\* Change in Percent of Total from 2013 to 2014

**Summary of Expenditures for Governmental Functions**

	FYE 2014 Amount	Percent of Total	Increase (Decrease) from FYE 2013	Percent Increase (Decrease)*
<b>Expenses</b>				
Instruction	\$ 108,354,355	56.6%	\$ 6,255,387	6.1%
Instruction Related Services	23,500,701	12.2%	5,292,777	29.1%
Pupil Services	17,073,640	8.9%	1,293,772	8.2%
General Administration	11,159,678	5.8%	2,956,153	-78.4%
Plant Services	16,463,317	8.6%	569,528	3.6%
Ancillary Services	937,231	0.5%	92,330	10.9%
Community Services	201,240	0.1%	(13,378)	-6.2%
Enterprise Activities	22,836	0.1%	19,177	524.1%
Interest on Long-Term Debt	13,742,933	7.2%	1,141,573	9.1%
Other Outgo	19,977	0.0%	(7,976,819)	-99.8%
<b>Total Expenses</b>	<b>\$ 191,475,908</b>	<b>100.0%</b>	<b>\$ 9,630,500</b>	<b>5.3%</b>

\* Change in Percent of Total from 2013 to 2014

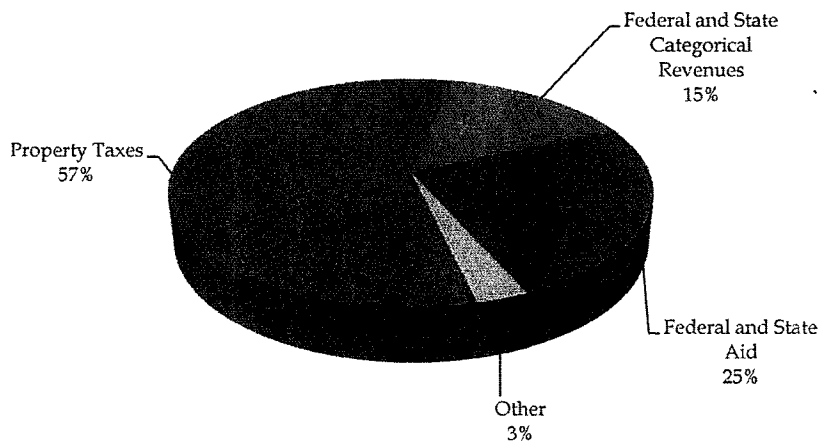
NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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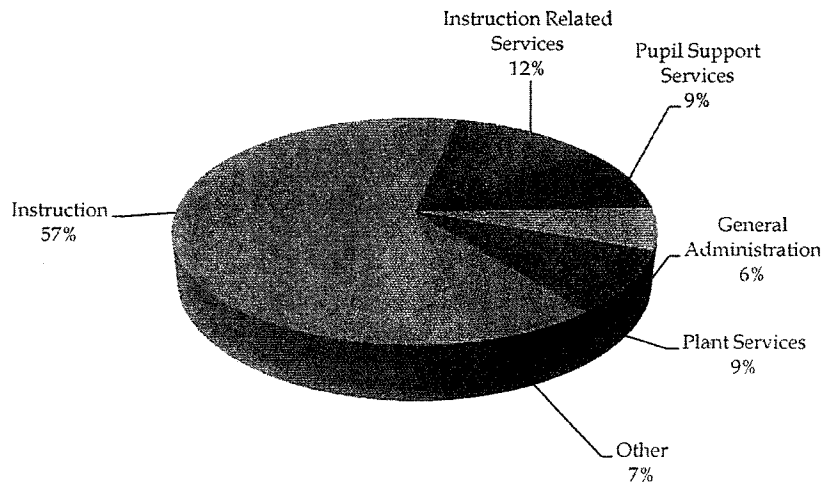
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Sources of Revenue for the 2013-14 Fiscal Year  
Figure 1**



**Expenses for the Fiscal Year 2013-14  
Figure 2**



NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**GOVERNMENTAL ACTIVITIES (CONTINUED)**

Capital assets increased by \$8.3 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. After deducting depreciation of \$16 million, capital assets, net of depreciation decreased \$7.7 million.

**Comparative Schedule of Capital Assets**

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
Land	\$ 12,475,990	\$ 12,440,826	\$ 35,164
Sites and Improvements	59,735,215	55,097,851	4,637,364
Buildings and Improvements	402,466,887	397,126,807	5,340,080
Furniture and Equipment	23,589,339	22,083,610	1,505,729
Work in Process	5,252,185	8,500,559	(3,248,374)
Subtotals	<u>503,519,616</u>	<u>495,249,653</u>	<u>8,269,963</u>
Less: Accumulated Depreciation	<u>129,557,968</u>	<u>113,532,547</u>	<u>16,025,421</u>
Totals	<u>\$ 373,961,648</u>	<u>\$ 381,717,106</u>	<u>\$ (7,755,458)</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>2014</u>	<u>2013</u>
General Obligation Bonds	\$ 267,165,000	\$ 271,235,000
Accreted Interest	11,141,972	8,469,784
Other Post-employment Benefits	16,536,030	13,662,912
Compensated Absences	<u>1,367,493</u>	<u>1,313,832</u>
Totals	<u>\$ 296,210,495</u>	<u>\$ 294,681,528</u>



NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**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.

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 2013-2014. 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**

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the new flexibility also come new requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's 2014-2015 budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The LCFF is the largest unknown for the District. The new funding structure has no statutory cost of living allowance built into it and relies solely on the annual budget process at the legislative level. Planning for the "out years" will be much more difficult and volatile under the LCFF funding formula. The eight years necessary to bring the District to their target funding could be unpredictable and unstable, thereby creating a need for a larger reserve than past years. The ongoing unpredictability of the District's supplemental and concentration funding under the LCFF will also create unstable budgets even after the district's target has been met in 2020-2021.

Future predictions and uncertainties with the changes to the State funding formula require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**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 POSITION

JUNE 30, 2014

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash (Note 2)	\$ 60,219,891	\$ 218,944	\$ 60,438,835
Accounts Receivable (Note 4)	9,971,823		9,971,823
Stores Inventory (Note 1I)	338,628		338,628
Prepaid Expenses (Note 1I)	1,135,813		1,135,813
Capital Assets, Net of Depreciation (Note 6)	373,961,648		373,961,648
Total Assets	<u>\$ 445,627,803</u>	<u>\$ 218,944</u>	<u>\$ 445,846,747</u>
<u>Liabilities</u>			
Accounts Payable and Other Current Liabilities	\$ 10,990,895	\$ 19,904	\$ 11,010,799
Unearned Revenue (Note 1I)	177,053		177,053
Unamortized Bond Premium (Note 1I)	12,524,833		12,524,833
Long-term Liabilities (Note 9)			
Due Within One Year	\$ 5,422,493		
Due After One Year	290,788,002		
Total Long-Term Liabilities	<u>296,210,495</u>		<u>296,210,495</u>
Total Liabilities	<u>\$ 319,903,276</u>	<u>\$ 19,904</u>	<u>\$ 319,923,180</u>
<u>Net Position</u>			
Net Investment in Capital Assets	\$ 106,796,648		\$ 106,796,648
Restricted For:			
Capital Projects	27,901,985		27,901,985
Debt Service	9,996,059		9,996,059
Education Programs	4,792,537		4,792,537
Other Purposes (Expendable)	338,646		338,646
Unrestricted (Deficit)	<u>(24,101,348)</u>	<u>\$ 199,040</u>	<u>(23,902,308)</u>
Total Net Position	<u>\$ 125,724,527</u>	<u>\$ 199,040</u>	<u>\$ 125,923,567</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, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Governmental Activities</u>							
Instruction	\$ 108,354,355	\$ 113,960	\$ 12,597,363	\$ 82,673	\$ (95,560,359)		\$ (95,560,359)
Instruction-Related Services:							
Supervision of Instruction	10,706,587	16,092	3,317,332		(7,373,163)		(7,373,163)
Instructional Library, Media and Technology	995,652	1,303	260,051		(734,298)		(734,298)
School Site Administration	11,798,462	696	278,726		(11,519,040)		(11,519,040)
Pupil Services:							
Home-To-School Transportation	3,850,968	206,462	1,584,119		(2,060,387)		(2,060,387)
Food Services	5,579,876	1,800,142	3,656,310		(123,424)		(123,424)
All Other Pupil Services	7,642,796	10,976	1,553,520		(6,078,300)		(6,078,300)
General Administration:							
Data Processing	1,771,460		190,321		(1,581,139)		(1,581,139)
All Other General Administration	9,388,218	4,609	563,188		(8,820,421)		(8,820,421)
Plant Services	16,463,317	9,488	1,315,715		(15,138,114)		(15,138,114)
Ancillary Services	937,231	5,864	326,381		(604,986)		(604,986)
Community Services	201,240	117	11,634		(189,489)		(189,489)
Enterprise Activities	22,836	5,890	(15,608)		(32,554)		(32,554)
Interest on Long-Term Debt	13,742,933				(13,742,933)		(13,742,933)
Other Outgo	19,977				(19,977)		(19,977)
Total Governmental Activities	191,475,908	2,175,599	25,639,052	82,673	(163,578,584)		(163,578,584)
<u>Business-Type Activities</u>							
Enterprise Activities	450,458		534,589			\$ 84,131	84,131
Total	\$ 191,926,366	\$ 2,175,599	\$ 26,173,641	\$ 82,673	(163,578,584)	84,131	(163,494,453)
General Revenues:							
Property Taxes Levied For:							
General Purposes					84,822,745		84,822,745
Debt Service					14,802,296		14,802,296
Other Specific Purposes					217,616		217,616
Federal and State Aid Not Restricted to Specific Purposes					43,843,539		43,843,539
Interest and Investment Earnings					167,856		167,856
Interagency Revenues					630,251		630,251
Miscellaneous					3,217,020	110	3,217,130
Total General Revenues					147,701,323	110	147,701,433
Change (Decrease) in Net Position					(15,877,261)	84,241	(15,793,020)
Net Position Beginning (Restated, Note 15)					141,601,788	114,799	141,716,587
Net Position Ending					\$ 125,724,527	\$ 199,040	\$ 125,923,567

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General Fund	Bond Interest and Redemption Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash (Note 2)	\$ 19,579,189	\$ 9,896,144	\$ 22,109,810	\$ 6,352,917	\$ 57,938,060
Accounts Receivable (Note 4)	7,842,465	99,915		2,029,443	9,971,823
Due From Other Funds (Note 5)	1,093,315		3,500,000	250,961	4,844,276
Stores Inventory (Note 11)	245,938			92,690	338,628
Prepaid Expenditures (Note 11)	1,116,715			19,098	1,135,813
<b>Total Assets</b>	<b>\$ 29,877,622</b>	<b>\$ 9,996,059</b>	<b>\$ 25,609,810</b>	<b>\$ 8,745,109</b>	<b>\$ 74,228,600</b>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 5,023,469		\$ 190,646	\$ 772,569	\$ 5,986,684
Unearned Revenue (Note 11)	144,628			32,425	177,053
Due to Other Funds (Note 5)	3,750,961			1,093,315	4,844,276
<b>Total Liabilities</b>	<b>8,919,058</b>		<b>190,646</b>	<b>1,898,309</b>	<b>11,008,013</b>
<u>Fund Balances (Note 11):</u>					
Nonspendable	1,394,803			114,951	1,509,754
Restricted	4,344,777	\$ 9,996,059	25,419,164	3,173,374	42,933,374
Assigned	3,644,749			3,558,475	7,203,224
Unassigned	11,574,235				11,574,235
<b>Total Fund Balances</b>	<b>20,958,564</b>	<b>9,996,059</b>	<b>25,419,164</b>	<b>6,846,800</b>	<b>63,220,587</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 29,877,622</b>	<b>\$ 9,996,059</b>	<b>\$ 25,609,810</b>	<b>\$ 8,745,109</b>	<b>\$ 74,228,600</b>

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 POSITION  
JUNE 30, 2014

Total fund balance - governmental funds	\$	63,220,587
<p>Amounts reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets, at historical cost: \$	503,519,616	
Accumulated depreciation:	<u>(129,557,968)</u>	373,961,648
<p>Unamortized bond 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 government-wide statements, the premium is amortized as a reduction in annual interest expense over the life of the debt. Unamortized premium at year end was:</p>		
		(12,524,833)
<p>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 unamatured interest owing at the end of the period was:</p>		
		(4,956,473)
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
General obligation bonds	\$ 267,165,000	
Accreted Interest	11,141,972	
Other post-employment benefits	16,536,030	
Compensated absences	<u>1,367,493</u>	
Total		(296,210,495)
<p>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 position. Net position for internal service funds are:</p>		
		<u>2,234,093</u>
Total net position - governmental activities	\$	<u><u>125,724,527</u></u>

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, 2014

	General Fund	Bond Interest and Redemption Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Control Funding Formula Sources					
State Apportionments	\$ 35,431,821			\$ 5,306,895	\$ 40,738,716
Local Sources	77,319,067			6,339,028	83,658,095
<b>Total Local Control Funding Formula Sources</b>	<b>112,750,888</b>			<b>11,645,923</b>	<b>124,396,811</b>
Federal Revenue	9,153,715	\$ 1,274,233		3,848,082	14,276,030
Other State Revenue	8,299,073	97,172		2,309,825	10,706,070
Other Local Revenue	7,087,257	14,726,862	\$ 113,730	4,294,884	26,222,733
<b>Total Revenues</b>	<b>137,290,933</b>	<b>16,098,267</b>	<b>113,730</b>	<b>22,098,714</b>	<b>175,601,644</b>
<b>Expenditures</b>					
Certificated Salaries	69,081,516			7,875,928	76,957,444
Classified Salaries	22,791,919			3,617,158	26,409,077
Employee Benefits	20,710,837			2,333,589	23,044,426
Books and Supplies	8,504,927		101,636	1,111,682	9,718,245
Services and Other					
Operating Expenditures	15,644,374		2,140,778	8,020,911	25,806,063
Capital Outlay	1,513,107		1,218,962	1,685,789	4,417,858
Debt Service:					
Principal Retirement		4,070,000			4,070,000
Interest and Fiscal Charges		11,357,042			11,357,042
Other Outgo	(91,898)	7,400		111,875	27,377
<b>Total Expenditures</b>	<b>138,154,782</b>	<b>15,434,442</b>	<b>3,461,376</b>	<b>24,756,932</b>	<b>181,807,532</b>
Excess of Revenues Over (Under) Expenditures	(863,849)	663,825	(3,347,646)	(2,658,218)	(6,205,888)
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Note 5)	927,742			130,372	1,058,114
Operating Transfers Out (Note 5)	(130,372)			(927,742)	(1,058,114)
<b>Total Other Financing Sources (Uses)</b>	<b>797,370</b>	<b>0</b>	<b>0</b>	<b>(797,370)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(66,479)	663,825	(3,347,646)	(3,455,588)	(6,205,888)
Fund Balances - July 1, 2013	21,025,043	9,332,234	28,766,810	10,302,388	69,426,475
Fund Balances - June 30, 2014	\$ 20,958,564	\$ 9,996,059	\$ 25,419,164	\$ 6,846,800	\$ 63,220,587

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, 2014

Net change (decrease) in fund balances - total governmental funds	\$	(6,205,888)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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:</p>		
Expenditures for capital outlay:	\$ 8,305,186	
Depreciation expense:	(16,060,644)	
Net:		(7,755,458)
<p>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:</p>		
		4,070,000
<p>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:</p>		
		(3,128,263)
<p>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:</p>		
		(53,661)
<p>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:</p>		
		(2,873,118)
<p>Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:</p>		
		746,773
<p>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 decrease in internal service funds was:</p>		
		(677,646)
Total change (decrease) in net position - governmental activities	\$	<u>(15,877,261)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



NAPA VALLEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
<u>Assets</u>		
Current assets		
Cash (Note 2)	\$ 218,944	\$ 2,281,831
Total Assets	<u>\$ 218,944</u>	<u>\$ 2,281,831</u>
<u>Liabilities</u>		
Current Liabilities		
Accounts Payable	\$ 19,904	\$ 47,738
Total Liabilities	<u>\$ 19,904</u>	<u>\$ 47,738</u>
<u>Net Position</u>		
Restricted	\$ 199,040	\$ 2,234,093
Total Net Position	<u>\$ 199,040</u>	<u>\$ 2,234,093</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
<u>Operating Revenue</u>		
Other Local Revenue	\$ 533,947	
Miscellaneous		\$ 257,116
Total Operating Revenue	<u>533,947</u>	<u>257,116</u>
<u>Operating Expenses</u>		
Classified Salaries	327,222	
Payments for Benefits		944,906
Employee Benefits	84,537	
Supplies and Equipment	33,009	
Other Operating Expenses	5,689	
Total Operating Expenses	<u>450,457</u>	<u>944,906</u>
Operating Income (Loss)	<u>83,490</u>	<u>(687,790)</u>
<u>Non-Operating Source</u>		
Interest and Investment Income	751	10,144
Total Non-Operating Sources	<u>751</u>	<u>10,144</u>
Net Income (Loss)	84,241	(677,646)
Total Net Position - July 1, 2013	<u>114,799</u>	<u>2,911,739</u>
Total Net Position - June 30, 2014	<u>\$ 199,040</u>	<u>\$ 2,234,093</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, 2014

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Cash flows from operating activities		
Cash received from services	\$ 536,205	
Cash paid for employees	(417,981)	
Cash received from premiums		\$ 278,366
Cash paid for workers' compensation		(1,006,468)
Cash paid for supplies and services	(33,009)	
Net cash flows provided (used) by operating activities	<u>85,215</u>	<u>(728,102)</u>
Cash flows from investing activities		
Interest income	751	10,144
Net cash provided by investing activities	<u>751</u>	<u>10,144</u>
Net increase (decrease) in cash	85,966	(717,958)
Cash, July 1, 2013	<u>132,978</u>	<u>2,999,789</u>
Cash, June 30, 2014	<u>\$ 218,944</u>	<u>\$ 2,281,831</u>

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

Operating income (loss)	\$ 83,490	\$ (687,790)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Decrease in accounts payable	(533)	(61,562)
Decrease in accounts receivable	2,163	21,250
Decrease in prepaid expenses	95	0
Total adjustments	<u>1,725</u>	<u>(40,312)</u>
Net cash provided (used) by operating activities	<u>\$ 85,215</u>	<u>\$ (728,102)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	Private Purpose Trust <u>Scholarship Fund</u>	<u>Agency Fund</u>
<u>Assets</u>		
Cash (Note 2)	\$ 610,964	\$ 1,054,640
<b>Total Assets</b>	<b>\$ 610,964</b>	<b>\$ 1,054,640</b>
<u>Liabilities</u>		
Due to Student Groups	_____	\$ 1,054,640
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 1,054,640</b>
<u>Net Position</u>		
Restricted for Scholarships	\$ 610,964	_____
<b>Total Net Position</b>	<b>\$ 610,964</b>	<b>\$ 0</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private Purpose Trust	Scholarship Fund
<u>Additions</u>		
Donations and Gifts	\$ 269,907	
Interest and Investment Earnings		2,107
Total Additions		272,014
<u>Deductions</u>		
Other Operating Expense		228,427
Total Deductions		228,427
Change in Net Position		43,587
Total Net Position - July 1, 2013		567,377
Total Net Position - June 30, 2014	\$	610,964

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, 2014

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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 position 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, 2014

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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 Position. The Statement of Revenue, Expenses, and Changes in Fund Net Position 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, 2014

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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.

Unearned revenue:

Unearned 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 unearned 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 unearned revenue.



NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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 required to be accounted for in another fund. The District accounted for the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects separately, but they have been included with the General Fund in these financial statements to comply with GASB 54.

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, 2014

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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 four non-major special revenue funds:

1. Charter School 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.

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 two non-major capital project funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981.
2. Special Reserve Fund for Capital Outlay Projects is used for the accumulation of revenue and expenditures for Board designated capital projects.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

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, 2014

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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 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, 2014

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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

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, 2014

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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.

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. Unearned Revenue

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

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

5. Unamortized Bond Premium

The District sold several series of general obligation bonds at a premium. The premiums are amortized over the life of the bond issue as a reduction of annual interest expense.

6. 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.

7. 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 Position. 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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

8. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - 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.

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

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

9. Use of Restricted/Unrestricted Net Position

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

10. 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, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Continued)

*Fund Balances*

The District's fund balances at June 30, 2014 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	County School Facilities Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving Fund	\$ 32,150			\$ 3,163	\$ 35,313
Stores Inventory	245,938			92,690	338,628
Prepaid Expenditures	1,116,715			19,098	1,135,813
<b>Total Nonspendable Fund Balance</b>	<b>1,394,803</b>			<b>114,951</b>	<b>1,509,754</b>
<b>Restricted For:</b>					
Legally Restricted Categorical Funding	4,344,777				4,344,777
Debt Service		\$ 9,996,059			9,996,059
Capital Projects			\$ 25,419,164		25,419,164
Child Nutrition Program				242,793	242,793
Charter School Program				149,020	149,020
Adult Education Program				128,659	128,659
Child Development Program				170,081	170,081
Purposes Specified in Govt Code Section 65970-65981 and/or 66006				2,482,821	2,482,821
<b>Total Restricted Fund Balance</b>	<b>4,344,777</b>	<b>9,996,059</b>	<b>25,419,164</b>	<b>3,173,374</b>	<b>42,933,374</b>
<b>Assigned For:</b>					
Lottery Reserve	1,040,859				1,040,859
Technology Reserve	76,000				76,000
To Increase Reserve of Fund 17	631,268				631,268
Deferred Maintenance	1,029,481				1,029,481
Charter School Program	867,141			1,602,923	2,470,064
Charter Lottery Reserves				7,002	7,002
Child Development Program				33,078	33,078
Adult Education Program				414,449	414,449
Capital Projects				1,501,023	1,501,023
<b>Total Assigned Fund Balance</b>	<b>3,644,749</b>	<b>0</b>	<b>0</b>	<b>3,558,475</b>	<b>7,203,224</b>
<b>Unassigned:</b>					
Reserve for Economic Uncertainties	9,714,616				9,714,616
Other Unassigned	1,859,619				1,859,619
<b>Total Unassigned Fund Balance</b>	<b>11,574,235</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,574,235</b>
<b>Total Fund Balances</b>	<b>\$ 20,958,564</b>	<b>\$ 9,996,059</b>	<b>\$ 25,419,164</b>	<b>\$ 6,846,800</b>	<b>\$ 63,220,587</b>

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Concluded)

*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.

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.

11. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue 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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Concluded)

11. Local Control Funding Formula /Property Tax (Concluded)

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 control funding formula 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.

The District's Base Local Control Funding Formula Revenue 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. Impact of Recently Issued Accounting Principles

The GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* in March, 2013. GASB 65 was intended to compliment Statement No. 63 by identifying items previously reported as assets and liabilities that should be classified as deferred outflows or deferred inflows going forward. The District was required to implement the Statement 65 in 2013-2014.

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The Statement is effective beginning in fiscal year 2014-2015.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Impact of Recently Issued Accounting Principles (Concluded)

The GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* in April 2013 to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The Statement is effective beginning in fiscal year 2013-2014. The District does not have nonexchange financial guarantees and therefore the adoption of GASB 70 does not have any impact on the District's financial statements.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document. The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2014:

<u>Government-Wide Statement of Net Position</u>			<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>		
<u>\$60,219,891</u>	<u>\$218,944</u>	<u>\$60,438,835</u>	<u>\$1,665,604</u>	<u>\$62,104,439</u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - CASH (CONTINUED)

A. Summary of Cash (Concluded)

The District had the following cash at June 30, 2014:

	Fair Value	Carrying Amount	Credit Quality Rating
Cash in Commercial Banks	\$ 1,219,635	\$ 1,219,635	Not Rated
Cash in Revolving Fund	35,313	35,313	Not Rated
Cash in County Treasury	60,753,367	60,849,491	Not Rated
Total Cash	<u>\$ 62,008,315</u>	<u>\$ 62,104,439</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 are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2014 the carrying amount of the District's accounts was \$1,254,948, of which all was 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, 2014

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NOTE 2 - CASH (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 \$524,207,102. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$523,379,015. 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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - CASH (CONTINUED)

C. Risk Disclosures (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County 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.

At June 30, 2014 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>\$60,753,367</u>	<u>\$30,479,964</u>	<u>\$29,204,144</u>	<u>\$1,069,259</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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

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.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	<u>Excess Expenditures</u>
<u>Major Governmental Funds:</u>	
General Fund	
Transfers Out	\$ 2,630
<u>Non-Major Governmental Funds:</u>	
Charter School Fund	
Contract Services	261,726
Adult Education Fund	
Certificated Salaries	71,067
Classified Salaries	7,543
Child Development Fund	
Certificated Salaries	9,827
Classified Salaries	2,041
Other Outgo	111
Capital Facilities Fund	
Materials and Supplies	49,618
Contract Services	156,446
Capital Outlay	839,598

The District incurred unanticipated expenditures in the funds described above for which the budgets were not revised.



NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consist of the following:

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Federal Government				
Categorical Aid Programs	\$ 1,508,871		\$ 717,852	\$ 2,226,723
State Government				
Local Control Funding Formula	959,755		186,949	1,146,704
Categorical Aid Programs	271,079			271,079
Lottery	1,133,439		110,450	1,243,889
Other	20,325		686,388	706,713
Total State Government	2,384,598		983,787	3,368,385
Local Government	659,952	\$ 99,915	153,485	913,352
Miscellaneous	3,289,044		174,319	3,463,363
Total Fund Accounts Receivable	\$ 7,842,465	\$ 99,915	\$ 2,029,443	\$ 9,971,823

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.

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2014 are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	\$ 1,093,315	\$ 3,750,961
County School Facilities Fund	3,500,000	
Non-Major Governmental Funds:		
Charter School Fund		593,315
Child Development Fund	117,638	
Cafeteria Fund	133,323	500,000
Total	\$ 4,844,276	\$ 4,844,276

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

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 2013-2014 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 927,742	\$ 130,372
Non-Major Governmental Funds:		
Adult Education Fund		927,742
Child Development Fund	129,130	
Cafeteria Fund	1,242	
Total	<u>\$ 1,058,114</u>	<u>\$ 1,058,114</u>

The District transferred \$1,242 from the General Fund to the Cafeteria Fund to reimburse a prior year expense.

The District transferred \$129,130 from the General Fund to the Child Development Fund to compensate for the loss of State Aid in fiscal year 2013-2014.

The District transferred \$927,742 from the Adult Education Fund to the General Fund to transfer the ending fund balance into the General Fund.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014, is shown below:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 12,440,826	\$ 35,164		\$ 12,475,990
Work in progress	8,500,559	5,335,635	\$ 8,584,009	5,252,185
Total capital assets, not being depreciated	<u>20,941,385</u>	<u>5,370,799</u>	<u>8,584,009</u>	<u>17,728,175</u>
Capital assets being depreciated:				
Buildings	397,126,807	5,340,080		402,466,887
Improvements of sites	55,097,851	4,637,364		59,735,215
Equipment	22,083,610	1,540,952	35,223	23,589,339
Total capital assets, being depreciated	<u>474,308,268</u>	<u>11,518,396</u>	<u>35,223</u>	<u>485,791,441</u>
Less accumulated depreciation for:				
Buildings	82,214,401	12,691,122		94,905,523
Improvements of sites	13,954,108	2,606,769		16,560,877
Equipment	17,364,038	762,753	35,223	18,091,568
Total accumulated depreciation	<u>113,532,547</u>	<u>16,060,644</u>	<u>35,223</u>	<u>129,557,968</u>
Total capital assets, being depreciated, net	360,775,721	(4,542,248)	0	356,233,473
Governmental activities capital assets, net	<u>\$ 381,717,106</u>	<u>\$ 828,551</u>	<u>\$ 8,584,009</u>	<u>\$ 373,961,648</u>

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)**

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 12,820,336
School site administration	641,014
Home to school transportation	1,314,086
Food services	64,101
All other general administration	1,221,107
<b>Total</b>	<b>\$ 16,060,644</b>

**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, 2014 is:

General Obligation Bonds

Series	Maturity Date August 1	Interest Rate	Original Issue	Outstanding July 01, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014
2003	2027	2.0-5.0%	\$ 35,000,000	\$ 960,000		\$ 960,000	\$ 0
2004 Refunding	2022	2.0-5.0%	8,325,000	0		0	0
2005	2029	3.0-5.0%	25,000,000	80,000		0	80,000
2006	2030	4.0-5.0%	35,000,000	4,800,000		1,115,000	3,685,000
2007	2046	4.0-7.0%	90,000,000	73,605,000		135,000	73,470,000
2007 Refunding	2025	4.0-4.25%	12,230,000	10,840,000		425,000	10,415,000
2009A	2029	4.85-7.0%	8,485,000	7,965,000		285,000	7,680,000
2009B	2044	8.10%	21,515,000	21,515,000		0	21,515,000
2009C	2049	6.36-6.85%	21,877,730	21,877,730		0	21,877,730
2010A	2033	5.78-6.29%	7,122,270	7,122,270		0	7,122,270
2010B	2043	6.51%	34,000,000	34,000,000		0	34,000,000
2010 Refunding	2024	4.0-5.0%	14,405,000	14,405,000		0	14,405,000
2012 Refunding	2027	3.0-3.13%	26,060,000	25,550,000		360,000	25,190,000
2013 Refunding	2030	3.0-5.0%	48,515,000	48,515,000		790,000	47,725,000
<b>Total</b>			<b>\$ 387,535,000</b>	<b>\$ 271,235,000</b>	<b>\$ 0</b>	<b>\$ 4,070,000</b>	<b>\$ 267,165,000</b>

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)**

<u>Accreted Interest</u>						
Series	Maturity Date August 1	Interest Rate	Outstanding July 01, 2013	Accreted Interest Current Year	Payments Current Year	Outstanding June 30, 2014
2009C	2049	6.36-6.85%	\$ 6,046,956	\$ 1,931,427	\$ 0	\$ 7,978,383
2010A	2033	5.78-6.29%	2,422,828	740,761	0	3,163,589
<b>Total</b>			<b>\$ 8,469,784</b>	<b>\$ 2,672,188</b>	<b>\$ 0</b>	<b>\$ 11,141,972</b>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ended June 30	Principal	Interest	Total
2015	\$ 4,055,000	\$ 11,824,704	\$ 15,879,704
2016	4,535,000	11,654,562	16,189,562
2017	5,210,000	11,450,530	16,660,530
2018	5,850,000	11,200,063	17,050,063
2019	6,545,000	10,908,862	17,453,862
2020-2024	44,845,000	49,057,061	93,902,061
2025-2029	55,068,124	50,128,198	105,196,322
2030-2034	25,533,131	66,208,772	91,741,903
2035-2039	35,087,182	58,612,633	93,699,815
2040-2044	60,317,078	47,998,817	108,315,895
2045-2049	19,584,442	36,778,065	56,362,507
2050	535,043	3,617,482	4,152,525
<b>Totals</b>	<b>\$ 267,165,000</b>	<b>\$ 369,439,749</b>	<b>\$ 636,604,749</b>

**NOTE 8 - 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 \$425 per month towards retiree medical premiums under one of the California Public Employees Medical and Hospital Care Act (PEMHCA) options 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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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 prorated directly, and the remaining amount available under the cap is applied to the retiree's medical premium under PEMHCA.

Two 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.

*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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*Annual OPEB Cost and Net OPEB Obligation (Concluded)*

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	\$ 4,011,024
Interest on net OPEB obligation	546,516
Adjustment to annual required contribution	<u>(790,127)</u>
Annual OPEB cost (expense)	3,767,413
Contributions made	<u>(894,295)</u>
Increase in net OPEB obligation	2,873,118
Net OPEB obligation – beginning of year	<u>13,662,912</u>
Net OPEB obligation – end of year	<u><b>\$16,536,030</b></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, 2014, 2013 and 2012 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, 2012	\$3,004,553	32.9%	\$10,865,390
June 30, 2013	\$3,817,294	26.7%	\$13,662,912
June 30, 2014	\$3,767,413	23.7%	\$16,536,030

*Funded Status and Funding Progress*

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$34.1 million, all of which is unfunded.

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, 2014 was as follows:

Actuarial accrued liability (AAL)	\$34,105,000
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u><b>\$34,105,000</b></u>
Funded ratio (actuarial value of plan assets/AAL)	0%

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

*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, 2012, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses). An inflation rate of 4% was used. The UAAL is being amortized as a thirty-year level dollar, open period.

NOTE 9 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
General Obligation Bonds	\$ 271,235,000		\$ 4,070,000	\$ 267,165,000	\$ 4,055,000
Accreted Interest	8,469,784	\$ 2,672,188		11,141,972	
Other Post-employment Benefits	13,662,912	3,767,413	894,295	16,536,030	
Compensated Absences	1,313,832	53,661		1,367,493	1,367,493
Totals	<u>\$ 294,681,528</u>	<u>\$ 6,493,262</u>	<u>\$ 4,964,295</u>	<u>\$ 296,210,495</u>	<u>\$ 5,422,493</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 10 - EARLY RETIREMENT INCENTIVE PROGRAM

In addition to the retirement benefits described in Note 8 and Note 11, an early retirement incentive is available on a voluntary basis to classified employees who have been employed by the District for a minimum of ten (10) continuous years, are below the age of sixty (60), and are eligible for Public Employee Retirement Service benefits at time of their retirement. The early retirement incentive will be twelve percent 12% of the average base wages of the employee's last three (3) years of employment. Qualified retirees may elect to receive cash payments or contributions to retirement or deferred compensation account. During the 2013-2014 fiscal year there were two (2) employees who accepted the offer, selecting cash payments of \$10,300 to be paid in October 2014 and January 2015.

NAPA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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 2013-2014 was 8.25% of annual payroll. 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, 2014, 2013, and 2012 were \$6,180,654, \$5,779,404 and \$5,505,320, 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.



NAPA VALLEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

*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 2013-2014 was 11.442% 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, 2014, 2013 and 2012 were \$2,925,614, \$2,755,225 and \$2,493,688, 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.

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, 2014. 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.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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, 2014.

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.

C. Joint Ventures

The Napa Valley Unified School District participates in two Joint Power Agreements (JPA): The North Bay Schools Insurance Authority (NBSIA) for Workers' Compensation and Property and Liability Insurance and the Schools Self Insurance of Contra Costa County (SSICCC) for Dental. The relationship between the Napa Valley Unified School District and the JPAs is such that the JPAs are not a component unit of the Napa Valley Unified School District for financial reporting purposes.

The JPA's arrange for an/or provides coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the members beyond their representation on the Board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

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, 2014, the District's membership in the North Bay Schools Insurance Authority (NBSIA) provided excess coverage through the Bay Area Schools Insurance Cooperative (BASIC). Settlement claims have not exceeded this coverage in any of the past three years.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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NOTE 14 - RISK MANAGEMENT (CONCLUDED)

B. Workers' Compensation

For fiscal year 2013-2014, the District utilized the services of NBSIA to administer all workers' compensation claims. The workers' compensation premium was funded at \$1.85 per \$100 of salary expense in 2013-2014. Excess coverage for self-insured tail claims is purchased from Swiss Reinsurance with an indemnity cap of \$50,000,000.

NOTE 15 - RESTATEMENT OF NET POSITION

The amounts previously reported as governmental activities net position at June 30, 2013 on the Government-Wide Statement of Net Position has been restated with the implementation of Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. The June 30, 2013 Net Position is restated to eliminate the unamortized debt issuance costs previously reported as an asset on the District's Statement of Net Position. In addition, the amounts reported as capital lease obligations were overstated at June 30, 2013.

The effect of this restatement is a decrease in the June 30, 2013 total Net Position of \$1,027,601 as follows:

	<u>Government-Wide Financial Statements</u>
Net Position, June 30, 2013 as originally reported	<u>\$142,629,682</u>
Eliminate debt issuance costs reported as an asset	(1,105,823)
Overstatement of capital lease obligation	<u>77,929</u>
Net Adjustments	<u>(1,027,894)</u>
Net Position, June 30, 2013, as restated	<u>\$141,601,788</u>

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2014, 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, 2014

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Local Control Funding				
Formula Sources:				
State Apportionments	\$ 28,741,174	\$ 23,945,669	\$ 35,431,821	\$ 11,486,152
Local Sources	69,568,710	73,258,819	77,319,067	4,060,248
Total Local Control Funding				
Formula Sources	98,309,884	97,204,488	112,750,888	15,546,400
Federal Revenue	7,364,811	11,655,657	9,153,715	(2,501,942)
Other State Revenue	19,618,743	21,313,105	8,299,073	(13,014,032)
Other Local Revenue	3,570,301	6,734,941	7,087,257	352,316
Total Revenues	128,863,739	136,908,191	137,290,933	382,742
<u>Expenditures</u>				
Certificated Salaries	67,133,095	69,625,828	69,081,516	544,312
Classified Salaries	22,257,693	23,231,485	22,791,919	439,566
Employee Benefits	20,656,198	21,230,830	20,710,837	519,993
Books and Supplies	5,611,613	12,598,964	8,504,927	4,094,037
Services and Other				
Operating Expenditures	13,268,448	17,214,571	15,644,374	1,570,197
Capital Outlay	629,076	1,746,735	1,513,107	233,628
Other Outgo	(131,184)	(73,891)	(91,898)	18,007
Total Expenditures	129,424,939	145,574,522	138,154,782	7,419,740
Excess of Revenues				
Over (Under) Expenditures	(561,200)	(8,666,331)	(863,849)	7,802,482
Other Financing Sources:				
Operating Transfers In	800,000	927,742	927,742	
Operating Transfers Out		(127,742)	(130,372)	(2,630)
Total Other Financing				
Sources (Uses)	800,000	800,000	797,370	(2,630)
Excess of Revenues and				
Other Sources Over				
(Under) Expenditures	238,800	(7,866,331)	(66,479)	7,799,852
Fund Balances - July 1, 2013	16,433,625	21,025,043	21,025,043	0
Fund Balances - June 30, 2014	\$ 16,672,425	\$ 13,158,712	\$ 20,958,564	\$ 7,799,852

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, 2014

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
6/30/12	July 1, 2010	\$ -	\$ 25,495,236	\$ 25,495,236	0%	\$ 21,921,626	116%
6/30/13	July 1, 2012	\$ -	\$ 34,105,000	\$ 34,105,000	0%	\$ 23,017,700	148%
6/30/14	July 1, 2012	\$ -	\$ 34,105,000	\$ 34,105,000	0%	\$ 24,168,585	141%

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, 2014

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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 SECTION

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NAPA VALLEY UNIFIED SCHOOL DISTRICT

NAPA VALLEY, CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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 were 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 three 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>
Tom Kensok	President	December 2014
Jacqueline Chilton	Vice-President	December 2014
Carlos Hagedorn	Clerk	December 2016
Frances Ortiz Chavez	Member	December 2016
Jose Hurtado	Member	December 2016
Joe Schunk	Member	December 2016
Robb Felder	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, 2014

	Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	4,483	4,484
Fourth through Sixth	3,381	3,382
Seventh and Eighth	2,415	2,414
Ninth through Twelfth	5,635	5,592
Extended Year Special Education		
Transitional Kindergarten through Third	5	5
Fourth through Sixth	6	6
Seventh and Eighth	3	3
Ninth through Twelfth	9	9
Special Education - Nonpublic, Nonsectarian Schools		
Ninth through Twelfth	7	7
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Ninth through Twelfth	1	1
ADA Totals	<u>15,945</u>	<u>15,903</u>

NAPA VALLEY LANGUAGE ACADEMY

	Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	407	406
Classroom-based ADA for TK through Third	407	406
Fourth through Sixth	284	284
Classroom-based ADA for Fourth through Sixth	284	283
ADA Totals	<u>691</u>	<u>690</u>
Classroom-based ADA Totals	<u>691</u>	<u>689</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONCLUDED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SHEARER ELEMENTARY SCHOOL

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Transitional Kindergarten through Third	374	359
Classroom-based ADA for TK through Third	374	359
Fourth through Sixth	157	156
Classroom-based ADA for Fourth through Sixth	<u>157</u>	<u>156</u>
ADA Totals	<u>531</u>	<u>515</u>
Classroom-based ADA Totals	<u>531</u>	<u>515</u>

RIVER CHARTER SCHOOL

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Fourth through Sixth	115	115
Classroom-based ADA for Fourth through Sixth	112	112
Seventh and Eighth	226	224
Classroom-based ADA for Seventh through Eighth	<u>220</u>	<u>219</u>
ADA Totals	<u>341</u>	<u>339</u>
Classroom-based ADA Totals	<u>332</u>	<u>331</u>

Average daily attendance is a measurement of the numbers of pupils attending classes of the District and Charter Schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs, and for the Charter Schools, the average daily attendance generated through classroom based instruction.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME OFFERED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Grade Level	Minutes Requirement	Minutes Requirement As Reduced	2013-2014 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	43,535	180	In Compliance
Grade 1	50,400	49,000	52,980	180	In Compliance
Grade 2	50,400	49,000	52,980	180	In Compliance
Grade 3	50,400	49,000	52,980	180	In Compliance
Grade 4	54,000	52,500	53,655	180	In Compliance
Grade 5	54,000	52,500	53,655	180	In Compliance
Grade 6	54,000	52,500	54,600	180	In Compliance
Grade 7	54,000	52,500	58,601	180	In Compliance
Grade 8	54,000	52,500	58,601	180	In Compliance
Grade 9	64,800	63,000	64,834	180	In Compliance
Grade 10	64,800	63,000	64,834	180	In Compliance
Grade 11	64,800	63,000	64,834	180	In Compliance
Grade 12	64,800	63,000	64,834	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

For the 2013-2014 and 2014-2015 school years, a school district may reduce up to five days of instruction or equivalent number of minutes without incurring penalties pursuant to Education Code Sections 46201.2(b) and 46207(c).

NAPA VALLEY LANGUAGE ACADEMY

Grade Level	Minutes Requirement	Minutes Requirement As Reduced	2013-2014 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	34,971	56,650	180	In Compliance
Grade 1	50,400	48,960	53,950	180	In Compliance
Grade 2	50,400	48,960	53,950	180	In Compliance
Grade 3	50,400	48,960	53,950	180	In Compliance
Grade 4	54,000	52,457	54,505	180	In Compliance
Grade 5	54,000	52,457	54,505	180	In Compliance
Grade 6	54,000	52,457	66,345	180	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, 2014

RIVER CHARTER SCHOOL

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement As Reduced</u>	<u>2013-2014 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 6	54,000	52,457	59,315	180	In Compliance
Grade 7	54,000	52,457	59,315	180	In Compliance
Grade 8	54,000	52,457	59,315	180	In Compliance

SHEARER ELEMENTARY SCHOOL

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement As Reduced</u>	<u>2013-2014 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	34,971	55,980	180	In Compliance
Grade 1	50,400	48,960	54,840	180	In Compliance
Grade 2	50,400	48,960	54,840	180	In Compliance
Grade 3	50,400	48,960	54,840	180	In Compliance
Grade 4	54,000	52,457	54,840	180	In Compliance
Grade 5	54,000	52,457	54,840	180	In Compliance

Charter Schools must maintain their instructional minutes at the levels required by Education Code Section 47612.5, reduced pursuant to the provisions of Education Code Section 46201.2(b) for the 2013-2014 and 2014-2015 school years.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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The District operated three Charter Schools during 2013-2014, Napa Valley Language Academy (CDS 28-66266-6026983), River Charter (CDS 28-66266-6113302) and Shearer Elementary (28-66266-6026934).

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

During 2009-2010 the District renewed the charter for a period of 5 years to Stone Bridge Charter School. The Charter School is independent of Napa Valley Unified School District and their financial activities are not included in the District's financial statements.

Prior to July 1, 2013 Phillips Charter ceased charter school status and will continue operating as a regular District school site. In addition, Shearer Elementary withdrew from charter school status at the end of June 30, 2014, and will continue operating in the future as a District school site.

SEE NOTES TO SUPPLEMENTARY INFORMATION

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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):			
Child Nutrition Cluster:			
National School Lunch (Sec 4 and Sec 11)	10.555	13523/13524	\$ 2,554,019
School Breakfast Needy	10.553	13526	786,769
Meal Supplements	10.556	13528	<u>10,043</u>
Subtotal Child Nutrition Cluster			3,350,831
Children's Center Meals	10.558	13529	<u>4,456</u>
Total U.S. Department of Agriculture			<u>3,355,287</u>
U.S. Department of Education:			
Direct Aid:			
Indian Education	84.060	10011	<u>57,597</u>
Magnet School Assistance Programs	84.165A *	N/A	<u>2,412,903</u>
Smaller Learning Communities	84.215L	N/A	<u>224,267</u>
Passed Through California Department of Rehabilitation:			
Workability II, Transitions Partnership Program	84.158*	10006	<u>166,941</u>
Passed through CDE:			
Adult Education Cluster:			
Adult Secondary Education	84.002	13978	94,808
English Literacy & Civics Education	84.002A	14109	100,422
Adult Basic Education & ESL	84.002A	14508	<u>115,016</u>
Subtotal Adult Education Cluster			<u>310,246</u>
Special Education Cluster:			
IDEA, Basic Local Assistance, Part B, Section 611	84.027	13379	2,908,399
IDEA, Local Assistance, Part B, Section 611, Private Schools ISPs	84.027	10115	84,447
IDEA, Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	<u>226,443</u>
Subtotal Special Education Cluster			<u>3,219,289</u>
Vocational Education Cluster:			
Vocational Programs - Adult Sec 131 (Carl Perkins Act)	84.048	14894	116,049
Vocational Programs - Adult Sec 132 (Carl Perkins Act)	84.048	14893	<u>33,918</u>
Subtotal Vocational Education Cluster			<u>149,967</u>
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	349,586
Title II, Improving Teacher Quality Cluster:			
NCLB: Title II, Part A, Teacher Quality	84.367 *	14341	513,990
NCLB: Title II, Part A, Administrator Training	84.367 *	14344	<u>1,003</u>
Subtotal Title II, Improving Teacher Quality Cluster			<u>514,993</u>
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010 *	14329	1,811,287
NCLB: Title I, Part G, Advanced Placement (AP)			
Test Fee Reimbursement Program	84.330B	14831	<u>10,935</u>
Total U.S. Department of Education			<u>9,228,011</u>
U.S. Department of Health and Human Services:			
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778 *	10013	493,499
Medical Assistance Program (MAA)	93.778 *	10060	<u>(75,000)</u>
Total U.S. Department of Health and Human Services			<u>418,499</u>
Total Federal Programs			<u>\$ 13,001,797</u>

\* Programs considered major federal programs for the year ending June 30, 2014.

\*\* The amounts present do not included fair market value of all commodities received of \$71,727.

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, 2014

	General Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Self-Insurance Fund
June 30, 2014, Annual Unaudited Actual Financial Report Fund Balance	\$ 10,294,390	\$ 319,759	\$ 1,029,481	\$ 9,714,616	\$ 2,347,341
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:					
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	10,744,097		(1,029,481)	(9,714,616)	
Understatement of Stores Inventory	8,828	18,887			
Overstatement of Cash	(88,751)				(113,248)
Net Adjustments and Reclassifications	10,664,174	18,887	(1,029,481)	(9,714,616)	(113,248)
June 30, 2014, Audited Financial Statement Fund Balance	\$ 20,958,564	\$ 338,646	\$ 0	\$ 0	\$ 2,234,093

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, 2014.



NAPA VALLEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>General Fund</u>	<u>Budget 2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>
Revenues and Other Financial Sources	\$ 148,452,066	\$ 138,218,675	\$ 121,785,674	\$ 121,107,411
Expenditures	149,318,462	138,154,782	120,211,491	115,263,357
Other Uses and Transfers Out	2,757,904	130,372	0	382,174
Total Outgo	152,076,366	138,285,154	120,211,491	115,645,531
Change in Fund Balance (Deficit)	(3,624,300)	(66,479)	1,574,183	5,461,880
Ending Fund Balance	\$ 11,446,154	\$ 20,958,564	\$ 21,025,043	\$ 19,450,860
Available Reserves	\$ 9,837,512	\$ 11,574,235	\$ 9,701,911	\$ 14,488,750
Reserve for Economic Uncertainties	\$ 9,764,974	\$ 9,714,616	\$ 9,701,911	\$ 3,471,647
Unassigned Fund Balance	\$ 72,538	\$ 1,859,619	\$ 0	\$ 11,017,103
Available Reserves as a Percentage of Total Outgo	6.5%	8.4%	8.1%	12.5%
Total Long-Term Debt	\$ 290,788,002	\$ 296,210,495	\$ 294,681,528	\$ 293,587,344
Average Daily Attendance at P-2	16,609	15,945	15,153	15,015

The General Fund balance has increased by \$6,969,584 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 \$2,623,151 over the past two years as a result of recognizing interest accrued for capital appreciation bonds.

Total average daily attendance has increased 930 over the past two years.

The amounts reported as Budget 2014-2015 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, 2014

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
<u>Assets</u>							
Cash	\$ 2,195,175	\$ 424,061	\$ 103,392	\$ 59,713	\$ 2,704,389	\$ 866,187	\$ 6,352,917
Accounts Receivable	349,488	229,834	7,964	784,637		657,520	2,029,443
Due From Other Funds			117,638	133,323			250,961
Stores Inventory				92,690			92,690
Prepaid Expenditures	5,734	13,364					19,098
<b>Total Assets</b>	<b>\$ 2,550,397</b>	<b>\$ 667,259</b>	<b>\$ 228,994</b>	<b>\$ 1,070,363</b>	<b>\$ 2,704,389</b>	<b>\$ 1,523,707</b>	<b>\$ 8,745,109</b>
<u>Liabilities and Fund Balances</u>							
<b>Liabilities:</b>							
Accounts Payable	\$ 192,403	\$ 110,787	\$ 25,835	\$ 199,292	\$ 221,568	\$ 22,684	\$ 772,569
Unearned Revenue				32,425			32,425
Due to Other Funds	593,315			500,000			1,093,315
<b>Total Liabilities</b>	<b>785,718</b>	<b>110,787</b>	<b>25,835</b>	<b>731,717</b>	<b>221,568</b>	<b>22,684</b>	<b>1,898,309</b>
<b>Fund Balances:</b>							
Nonspendable	5,734	13,364		95,853			114,951
Restricted	149,020	128,659	170,081	242,793	2,482,821		3,173,374
Assigned	1,609,925	414,449	33,078			1,501,023	3,558,475
<b>Total Fund Balances</b>	<b>1,764,679</b>	<b>556,472</b>	<b>203,159</b>	<b>338,646</b>	<b>2,482,821</b>	<b>1,501,023</b>	<b>6,846,800</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,550,397</b>	<b>\$ 667,259</b>	<b>\$ 228,994</b>	<b>\$ 1,070,363</b>	<b>\$ 2,704,389</b>	<b>\$ 1,523,707</b>	<b>\$ 8,745,109</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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, 2014

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
<b>Revenues</b>							
Local Control Funding Formula Sources:							
State Apportionments	\$ 3,345,352	\$ 1,845,293	\$ 116,250				\$ 5,306,895
Local Sources	6,339,028						6,339,028
<b>Total Local Control Funding Formula Sources</b>	<b>9,684,380</b>	<b>1,845,293</b>	<b>116,250</b>				<b>11,645,923</b>
Federal Revenue	148,631	344,164	4,456	\$ 3,350,831			3,848,082
Other State Revenue	995,685	10,746	661	269,547		\$ 1,033,186	2,309,825
Other Local Revenue	330,380	482,670	193,928	1,846,003	\$ 1,358,834	83,069	4,294,884
<b>Total Revenues</b>	<b>11,159,076</b>	<b>2,682,873</b>	<b>315,295</b>	<b>5,466,381</b>	<b>1,358,834</b>	<b>1,116,255</b>	<b>22,098,714</b>
<b>Expenditures</b>							
Certificated Salaries	6,529,208	1,270,866	75,854				7,875,928
Classified Salaries	841,856	489,323	126,309	2,159,670			3,617,158
Employee Benefits	1,368,545	305,334	41,826	617,884			2,333,589
Books and Supplies	601,487	201,667	32,132	16,449	259,947		1,111,682
Services and Other							
Operating Expenditures	3,597,598	217,265	29,238	2,719,527	1,034,013	423,270	8,020,911
Capital Outlay	41,013	9,126			13,110	1,622,540	1,685,789
Other Outgo	19,526	87,062	5,287				111,875
<b>Total Expenditures</b>	<b>12,999,233</b>	<b>2,580,643</b>	<b>310,646</b>	<b>5,513,530</b>	<b>1,307,070</b>	<b>2,045,810</b>	<b>24,756,932</b>
Excess of Revenues Over (Under) Expenditures	(1,840,157)	102,230	4,649	(47,149)	51,764	(929,555)	(2,658,218)
Other Financing Sources (Uses)							
Operating Transfers In			129,130	1,242			130,372
Operating Transfers Out		(927,742)					(927,742)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(927,742)</b>	<b>129,130</b>	<b>1,242</b>	<b>0</b>	<b>0</b>	<b>(797,370)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,840,157)	(825,512)	133,779	(45,907)	51,764	(929,555)	(3,455,588)
Fund Balances - July 1, 2013	3,604,836	1,381,984	69,380	384,553	2,431,057	2,430,578	10,302,388
Fund Balances - June 30, 2014	\$ 1,764,679	\$ 556,472	\$ 203,159	\$ 338,646	\$ 2,482,821	\$ 1,501,023	\$ 6,846,800

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  
 FOR THE YEAR FISCAL ENDED JUNE 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Vintage High School	\$ 214,170	\$ 969,085	\$ 933,187	\$ 250,068
Napa High School	325,931	707,917	745,897	287,951
Silverado Middle School	24,364	30,556	35,666	19,254
Redwood Middle School	59,318	169,702	174,829	54,191
Valley Oak High School	2,414	2,906	1,925	3,395
American Canyon Middle School	18,414	64,958	67,529	15,843
American Canyon High School	266,920	757,351	740,084	284,187
New Technology High School	54,073	63,989	47,350	70,712
Harvest Middle School	14,672	168,207	141,761	41,118
Phillips Charter School	<u>25,416</u>	<u>35,620</u>	<u>33,115</u>	<u>27,921</u>
Total - All Agency Funds	<u>\$ 1,005,692</u>	<u>\$ 2,970,291</u>	<u>\$ 2,921,343</u>	<u>\$ 1,054,640</u>

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, 2014

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. 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.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and each applicable charter school and whether the District complied with the provisions of Education Code Sections 46201 through 46208 and also whether the Charter School(s) complied with the provisions of Education Code Sections 47612 and 47612.5. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. 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.

D. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the 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 \$1,274,233 of Build America Bond Interest subsidy payments which are exempt from the OMB A-133 scope, and have been excluded from this schedule.

E. 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.

F. Schedule of Financial Trends and Analysis

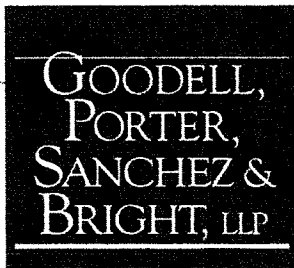
This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

G. 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**

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CERTIFIED  
PUBLIC  
ACCOUNTANTS

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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, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Napa Valley Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Napa Valley Unified School District's basic financial statements and have issued our report thereon dated December 11, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies, may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

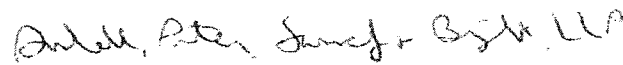
As part of obtaining reasonable assurance about whether Napa Valley Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 Findings**

Napa Valley Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Napa Valley Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

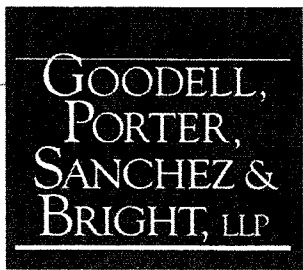
### **Purpose of this Report**

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

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

December 11, 2014





CERTIFIED  
PUBLIC  
ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Education  
Napa Valley Unified School District  
Napa, California

**Report on Compliance for Each Major Federal Program**

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 Napa Valley Unified School District's major federal programs for the year ended June 30, 2014. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Napa Valley Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Napa Valley Unified School District's compliance.

### Opinion on Each Major Federal Program

In our opinion, Napa Valley Unified School District, complied, in all material respects, with the types of 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, 2014.

### Report on Internal Control Over Compliance

Management of Napa Valley Unified School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Napa Valley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

December 11, 2014

GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

CERTIFIED  
PUBLIC  
ACCOUNTANTS

ANDREW 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 types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014* that could have a direct and material effect on each of Napa Valley Unified School District's State government programs as noted below for the year ended June 30, 2014.

**Management's Responsibility**

Management is responsible for compliance with the requirements of State laws and regulations.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with State laws and regulations of Napa Valley Unified School District's State government programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*. Those standards 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 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. However, 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	Not Applicable
Instructional Time for school districts	10	Yes
Instructional Materials general requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
GANN Limit Calculation	1	Yes

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Yes
Mode of Instruction	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
Charter School Facility Grant Program	1	Not Applicable

**Opinion on Each State Government Program**

In our opinion, Napa Valley Unified School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2014.

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

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

December 11, 2014

FINDINGS AND QUESTIONED COSTS SECTION

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ Yes     x No

Significant deficiency(ies) identified that are not considered to be material weakness? x Yes     \_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_ Yes     x No

*Federal Awards*

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ Yes     x No

Significant deficiency(ies) identified that are not considered to be material weakness? \_\_\_ Yes     x None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 \_\_\_ Yes     x No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.158	Workability II, Transitions Partnership Program
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected
84.367	NCLB: Title II, Part A, Improving Teacher Quality Cluster
84.165A	Magnet School Assistance Programs
93.778	Medi-Cal Billing Option

Dollar threshold used to distinguish between Type A and Type B programs: \$390,000

Auditee qualified as low-risk auditee? x Yes     \_\_\_ No

*State Awards*

Internal control over state programs:

Material weakness(es) identified? \_\_\_ Yes     x No

Significant deficiency(ies) identified that are not considered to be material weakness? \_\_\_ Yes     x 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, 2014

---

**Section II - Financial Statements Findings**

**2014 - 001 - 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.

**Statement of Condition:** During our testing of internal controls for purchases and cash disbursements we originally tested fifty-one (51) payments and noted six (6) were supported by purchase orders dated after the vendor invoice. We expanded our audit sample to include an additional fifty (50) General Fund payments and determined nineteen (19) had purchase orders dated after the vendor invoice. We noted a majority of the confirming purchase orders (dated after the vendor invoice) were originated from the Maintenance Department.

**Questioned Costs:** The condition referred to above was a result of our test of 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.

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

**Effect or Potential 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.

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

**District Response:** The District agrees with the audit finding and recommendation. Implementation of the recommendations are in process. Financial system automation should assist in tightening up internal control.

**2014 - 002 - ASSOCIATED STUDENT BODY - 30000**

**Criteria:** Sound accounting practices governing associated student body accounts include the following:

1. Retention of supporting documentation is necessary to support all disbursements and deposits of student body fund.
2. Student Body deposits should be made in a timely manner to minimize the risk of loss due to errors or misappropriation of assets.
3. Expenditures using student body funds should be used for student activities only.
4. Proper approval of student body expenditures should be obtained prior to the purchase.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

---

**Section II - Financial Statements Findings (Concluded)**

**2014 - 002 - ASSOCIATED STUDENT BODY - 30000 (CONCLUDED)**

**Statement of Condition:** During our testing of student body activities, we noted the following:

1. New Technology High School- We determined deposits were held for an excessive time prior to being deposited. In addition, approval for expenditures was completed after purchases were made. Also, tickets were sold to control receipts for an event, however, a complete and accurate reconciliation of the number of tickets sold to the cash collected was not performed.
2. Phillips Elementary School - We noted approval for expenditures was not documented. In addition, only one authorized signer is required on checks.

**Questioned Costs:** The condition referred to above were the result of our tests 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.

**Cause:** Procedures for student body are not consistently followed.

**Effect or Potential Effect:** Inadequate controls over various student body accounts may result in errors, misappropriation or misuse of funds, in which case the District would be liable to reimburse the student accounts for any losses.

**Recommendation:** We recommend the District implement procedures at all sites with student body accounts that will establish appropriate and consistent internal controls. Each student body should establish guidelines and procedures detailing items to be retained as support for payment and deposits to improve the accountability for student accounts.

**District Response:** The District agrees with the recommendation and will continue site trainings regarding the management of associated student body funds.

**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, 2014

---

2013 - 1: To improve internal and budgetary controls, all District expenditures should be supported by a completed purchase order prepared and approved in advance of the purchase.

Current Status:

Accepted  
Not Implemented

Explanation if Not Fully Implemented:

See repeat finding 2014-001.

2013 - 2: The District should enforce the existing policy by requiring employees to use excess compensated time off (vacation) within a two year time period and put procedures in place to ensure employees do not exceed the maximum allowed hours in the future.

Current Status:

Accepted  
Implemented

2013 - 3: The District should implement procedures at all sites with student body accounts that will establish appropriate and consistent internal controls. Each student body should establish guidelines and procedures detailing items to be retained as support for payment and deposits to improve the audit trail for student accounts.

Current Status:

Accepted  
Not Implemented

Explanation if Not Fully Implemented:

See repeat findings 2014-002.

NAPA VALLEY UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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2013 - 4: The District should review capital asset records and determine only assets exceeding the capitalization threshold are included in the District's capital asset inventory listing and depreciation is accurately calculated for each addition.

Current Status:

Accepted  
Implemented

2013 - 5: Each employee with any portion of their salary charged to a federal program should complete personnel activity reports as required by the OMB Circular A-87. The report should be completed at least every six months and any time there is a change to the employee's schedule or duties.

Current Status:

Accepted  
Implemented

## APPENDIX B

### ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF NAPA AND NAPA COUNTY

*The following information concerning the City of Napa (the “City”) and Napa County (the “County”) is included only for the purpose of supplying general information regarding the area of the District. The Notes are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, 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.** The County is 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. The 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.

The County is governed by a five-member Board of Supervisors. The County is one of three counties in California to establish a separate department to deal with corrections pursuant

to California Government Code §23013, along with Santa Clara County and Madera County.

**Population**

As of January 1, 2015 the County's population was approximately 139,255. The historic population estimates for the County and cities within the County as of January 1 of the years 2011 through 2015 are listed below.

**CITY OF NAPA AND NAPA COUNTY  
Population Estimates  
As of January 1**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
American Canyon	19,693	19,734	19,916	20,001	20,149
Calistoga	5,188	5,181	5,209	5,224	5,261
<b>Napa</b>	<b>77,464</b>	<b>77,514</b>	<b>78,093</b>	<b>78,358</b>	<b>78,971</b>
St. Helena	5,849	5,837	5,870	5,943	6,065
Yountville	2,997	2,991	2,989	3,017	3,017
Unincorporated	<u>26,448</u>	<u>26,476</u>	<u>26,677</u>	<u>26,712</u>	<u>26,899</u>
 Total County	 137,639	 137,733	 138,754	 139,255	 140,362

*Source: California State Department of Finance.*

*[Remainder of page intentionally left blank]*

**Employment and Industry**

The District is included in the Napa Metropolitan Statistical Area (“**MSA**”). The unemployment rate in the County was 4.1 percent in May 2015, unchanged from a revised 4.1 percent in April 2015, and below the year-ago estimate of 5.0 percent. This compares with an unadjusted unemployment rate of 6.2 percent for California and 5.3 percent for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2010 through 2014. Annual Figures are not yet available for the calendar year 2015.

**NAPA MSA  
(Napa County)  
Annual Average Civilian Labor Force, Employment and Unemployment,  
Employment by Industry  
(March 2014 Benchmark)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Civilian Labor Force <sup>(1)</sup>	70,300	70,800	72,000	72,900	74,000
Employment	63,000	63,900	65,900	67,900	69,900
Unemployment	7,200	6,900	6,000	5,000	4,100
Unemployment Rate	10.3%	9.7%	8.4%	6.8%	5.6%
<u>Wage and Salary Employment <sup>(2)</sup></u>					
Agriculture	4,700	4,800	4,800	5,000	5,000
Logging, Mining, Construction	2,600	2,500	2,700	3,200	3,600
Manufacturing	10,700	10,900	11,200	11,600	12,300
Wholesale Trade	1,500	1,400	1,500	1,600	1,600
Retail Trade	5,800	5,700	5,900	6,100	6,300
Transportation, Warehousing and Utilities	1,500	1,600	1,800	1,900	2,000
Information	600	600	600	600	600
Finance Activities	2,300	2,300	2,300	2,200	2,200
Professional and Business Services	5,300	5,500	6,100	6,500	6,500
Educational and Health Services	8,700	8,800	9,100	9,600	10,000
Leisure and Hospitality	9,300	10,000	10,700	11,300	12,000
Other Services	1,900	1,900	1,900	2,000	2,000
Federal Government	400	400	200	200	200
State Government	3,600	3,500	3,400	3,500	3,500
Local Government	6,400	6,300	6,200	6,400	6,400
Total, All Industries <sup>(3)</sup>	65,200	66,000	68,300	71,400	74,200

(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 July 2015 are shown below, in alphabetical order.

### NAPA COUNTY Major Employers As of July 2015

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
Auberge Du Soleil	Rutherford	Hotels & Motels
Domaine Chandon	Yountville	Wineries (Mfrs)
Health & Human Svc	Napa	Health & Welfare Agencies
Health & Human Svc Agency	Napa	County Government-Public Health Programs
Health & Human Svc Agency	Napa	County Government-Social/Human Resources
Marriott-Napa Valley	Napa	Hotels & Motels
Meritage Resort & Spa	Napa	Resorts
Napa County Health & Human Svc	Napa	County Government-Public Health Programs
Napa Valley College	Napa	Schools-Universities & Colleges Academic
Owens Corning	Napa	Building Materials-Manufacturers
Pacific Union College Ltd	Angwin	Schools-Universities & Colleges Academic
Pavilion-Vintage Estate	Yountville	Wedding Chapels
Queen of the Valley Med Ctr	Napa	Hospitals
Silverado Resort	Napa	Hotels & Motels
Stone Bridge Cellars Inc	Saint Helena	Wineries (Mfrs)
Sutter Home Winery	Saint Helena	Exporters (Whls)
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	Yountville	Veterans' & Military Organizations
Veterans Home of Ca	Yountville	Government-Specialty Hosp Ex Psychiatric
Walmart Supercenter	American Canyon	Department Stores
Walmart Supercenter	Napa	Department Stores
Yolano Engineers Inc	Napa	Surveyors-Land

*Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2015 2nd Edition.*

*[Remainder of page intentionally left blank]*

**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 2010 through 2014.

**CITY OF NAPA AND NAPA COUNTY  
Effective Buying Income  
2010 through 2014**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
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	\$1,779,668	\$48,892
	Napa County	3,453,650	51,788
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Napa	\$1,832,833	\$48,433
	Napa County	3,652,663	52,115
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Napa	\$1,869,855	\$48,932
	Napa County	3,631,706	53,714
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Napa	\$1,959,398	\$53,760
	Napa County	3,778,813	52,159
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

*Source: The Nielsen Company (US), Inc.*

**Taxable Transactions**

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Figures are not yet available for calendar year 2014.

Total taxable sales during calendar year 2013 in the City were reported to be \$1,237,834,000, a 8.54% increase over the total taxable sales of \$1,140,469,000 reported during calendar year 2012.

**CITY OF NAPA  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions  
(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Numbers of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2009	1,450	\$817,811	2,393	\$971,174
2010	1,455	848,200	2,409	992,329
2011	1,479	908,482	2,407	1,062,733
2012	1,561	968,384	2,496	1,140,469
2013	1,664	1,025,907	2,621	1,237,834

*Source: California State Board of Equalization.*

Total taxable sales during calendar year 2013 in the County were reported to be \$2,935,274,000, a 7.97% increase over the total taxable sales of \$2,718,679,000 reported during calendar year 2012.

**NAPA COUNTY  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions  
(Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	<b>Numbers of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2009	2,673	\$1,325,300	4,992	\$2,216,283
2010	2,752	1,383,036	5,148	2,301,907
2011	2,840	1,500,810	5,245	2,494,845
2012	3,039	1,612,489	5,516	2,718,679
2013	3,267	1,755,049	5,847	2,935,274

*Source: California State Board of Equalization.*



**Construction Trends**

Provided below are the building permits and valuations for the City and the County for calendar years 2010 through 2014.

**CITY OF NAPA  
Total Building Permit Valuations  
(Valuations In Thousands)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<u>Permit Valuation</u>					
New Single-family	\$14,122.5	\$14,711.3	\$15,688.3	\$12,102.6	\$7,362.8
New Multi-family	0.0	1,582.4	1,316.8	12,573.5	5,856.9
Res. Alterations/Additions	<u>7,628.1</u>	<u>8,151.2</u>	<u>6,845.3</u>	<u>9,821.5</u>	<u>15,823.8</u>
Total Residential	21,750.6	24,444.9	23,850.4	34,497.6	29,043.5
New Commercial	14,161.4	1,826.4	7,890.0	8,039.0	9,240.4
New Industrial	0.0	0.0	145.0	0.0	0.0
New Other	1,261.7	0.0	5,751.4	2,733.4	2,064.5
Com. Alterations/Additions	<u>15,810.9</u>	<u>57,777.6</u>	<u>15,810.7</u>	<u>15,640.5</u>	<u>18,447.1</u>
Total Nonresidential	31,234.0	59,604.0	29,597.1	26,412.9	29,752.0
<u>New Dwelling Units</u>					
Single Family	46	58	61	45	32
Multiple Family	<u>0</u>	<u>26</u>	<u>8</u>	<u>136</u>	<u>8</u>
TOTAL	46	84	69	181	40

*Source: Construction Industry Research Board, Building Permit Summary*

**NAPA COUNTY  
Total Building Permit Valuations  
(Valuations In Thousands)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<u>Permit Valuation:</u>					
New Single-family	\$60,137.9	54,267.2	\$54,758.7	\$50,896.3	\$57,465.4
New Multi-family	0.0	1,582.4	3,166.5	13,249.1	5,856.9
Res. Alterations/Additions	<u>32,186.0</u>	<u>45,584.2</u>	<u>30,327.6</u>	<u>46,742.1</u>	<u>55,325.6</u>
Total Residential	92,323.8	101,433.8	88,252.8	110,887.5	118,647.9
New Commercial	16,387.4	18,591.4	17,407.7	80,937.9	62,083.7
New Industrial	0.0	16,410.5	180.0	12,703.9	28,966.4
New Other	20,199.8	5,758.4	5,751.4	14,472.0	36,071.6
Com. Alterations/Additions	<u>57,667.9</u>	<u>79,594.7</u>	<u>29,936.2</u>	<u>43,548.3</u>	<u>40,595.2</u>
Total Nonresidential	94,255.1	120,355.0	53,275.3	151,662.2	167,716.9
<u>New Dwelling Units:</u>					
Single Family	106	128	133	97	103
Multiple Family	<u>0</u>	<u>26</u>	<u>20</u>	<u>140</u>	<u>49</u>
TOTAL	106	154	153	237	152

*Source: Construction Industry Research Board, Building Permit Summary*

**Education**

Public instruction in the County is provided by one elementary school district and four unified (combined elementary and high school) districts. The largest district, Napa Valley Unified School District, has approximately 16,000 students enrolled. The Napa Valley College and the Pacific Union College are also located within the County.

**Transportation**

The transportation network includes publicly operated systems as well as private enterprise systems within the cities. A privately owned airport service operates seven days a week from St. Helena, Napa and Vallejo to San Francisco International Airport. There is also a County owned and operated airport. This aviation facility serves privately owned aircraft and provides facilities for a large pilot training program for Japan Airlines. There are two privately owned and operated general aviation facilities in the County.

**APPENDIX C**

**PROPOSED FORM OF LEGAL OPINION**

[Letterhead of Jones Hall]

\_\_\_\_\_, 2015

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

OPINION:     \$\_\_\_\_\_ Napa Valley Unified School District (Napa County,  
California) 2015-16 Tax and Revenue Anticipation Notes

---

Members of the Board of Education:

We have acted as bond counsel to the Napa Valley Unified School District (the "District") in connection with the issuance by the Board of Supervisors of Napa County (the "Board") of \$\_\_\_\_\_ principal amount of Napa Valley Unified School District (Napa County, California) 2015-16 Tax and Revenue Anticipation Notes, dated the date hereof (the "Notes"), pursuant to Article 7.6 (commencing with section 53850), Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, and a resolution of the Board adopted on July 21, 2015 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

Based upon our examination, we are of the opinion, as of the date hereof, that:

1.     The District is duly created and validly existing as a school district, with the power to cause the Board to issue the Notes in its name, and to perform its obligations under the Resolution and the Notes.

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

3. The Notes have been duly authorized, issued and delivered by the Board, in the name of the District, and are valid and binding general obligations of the District, enforceable in accordance with their terms.

4. The interest on the Notes 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. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Notes, or the amount, accrual or receipt of interest on the Notes.

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

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

Respectfully submitted,

A Professional Law Corporation

## APPENDIX D

### 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 Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Notes 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 Notes, (b) Notes representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, 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 (the “Notes”). The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

4. To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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. A Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the Paying Agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**NAPA VALLEY UNIFIED SCHOOL DISTRICT**  
**(Napa County, California)**  
**2015-16 Tax and Revenue Anticipation Notes**

#### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Napa Valley Unified School District (the "District") in connection with the issuance of the \$\_\_\_\_\_ aggregate principal amount of Napa Valley Unified School District 2015-16 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued under a Resolution adopted by the Board of Supervisors of the County of Napa adopted on July 21, 2015.

The District hereby 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 Notes and in order to assist the Participating Purchaser in complying with S.E.C. Rule 15c2-12(b)(5).

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

*"Dissemination Agent"* means initially, KNN Public Finance, 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 4(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, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

*"Official Statement"* means the final official statement executed by the District in connection with the execution and delivery of the Certificates.

*"Participating Underwriter"* means the original purchaser of the Notes required to comply with the Rule in connection with offering of the Notes.

*"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. Exemption from Annual Report Filing.** The Notes have a stated maturity of less than eighteen months. Therefore, the provisions of paragraph (b)(5) of the Rule, other than the provisions of (b)(5)(i)(C), do not apply to the Notes, as provided in paragraph (d)(3) of Rule 15c2-12.

**Section 4. Reporting of Listed 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 Notes:

- (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 Notes, or other material events affecting the tax status of the Notes.
- (7) Modifications to rights of security holders, if material.
- (8) Note calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the Notes, 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 Notes under the Trust Agreement.

(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 Notes. 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 5. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 6. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

**Section 7. 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, KNN Public Finance shall serve as the District's appointed Dissemination Agent.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 4(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 Notes, 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 Notes, 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 Notes, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

**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, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any 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 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 Notes 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 Trust Agreement, 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 hold 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 Notes.

**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 Notes, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2015

**NAPA VALLEY UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Assistant Superintendent, Business

**ACCEPTANCE OF DUTIES  
AS DISSEMINATION AGENT:**

**KNN PUBLIC FINANCE**

By: \_\_\_\_\_  
Authorized Officer

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**APPENDIX F**

**NAPA COUNTY INVESTMENT POLICY AND INVESTMENT REPORT**

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A Tradition of Stewardship  
A Commitment to Service

**NAPA COUNTY**  
**STATEMENT OF INVESTMENT POLICY**  
**EFFECTIVE APRIL 1, 2015**

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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.



*MONTHLY*  
*INVESTMENT*  
*REPORT*

*January 31, 2015*

*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 - 26.92% of the portfolio matures within 90 days.  
\$50,000,000.00 are available on a daily basis and \$456,869,617.71 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 277 days.  
The effective rate of return for this period was 0.55%

Investment instruments used during the month of January 2015 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 January 2014 with that of January 2015.

	January 2014	January 2015
Time Bank Deposits	100,000.00	100,000.00
LAIF (Local Agencies Invst Fund)	46,000,000.00	50,000,000.00
Corporate Notes	0.00	0.00
Federal Agency Securities	473,713,108.95	456,730,582.52
Treasury Notes	10,997,431.11	0.00
TEETER Notes	7,215,501.52	5,648,244.10
Sweep - Overnight	0.00	0.00
<b>TOTAL</b>	<b>538,026,041.58</b>	<b>512,478,826.62</b>

A comparison of interest received during the month of January 2014 with that of January 2015.

	January 2014	January 2015
Interest on Time Deposits	0.00	0.00
Interest of LAIF	32,156.56	32,040.66
Interest on Corporate Notes	0.00	0.00
Interest on Federal Agency Securities	117,531.38	168,431.66
Interest on Treasury Notes	2,465.00	0.00
Interest on Teeter Notes	0.00	0.00
Interest on Sweep	0.00	0.00
Interest on Trust Account	0.00	0.00
<b>TOTAL</b>	<b>152,152.94</b>	<b>200,472.32</b>

A comparison of the cumulative interest received in the period of July 1, 2013 through June 30, 2014 with that of July 1, 2014 through June 30, 2015.

	2013-14	2014-15
Interest on Time Deposits	75.00	60.00
Interest on LAIF	85,158.21	89,142.98
Interest on Corporate Notes	0.00	0.00
Interest on Federal Agency Securities	1,230,342.31	1,363,364.21
Interest on Treasury Notes	23,056.77	0.00
Interest on Teeter Notes	74,200.80	106,154.72
Interest on Sweep	0.00	0.00
Interest on Trust Account	618.19	779.95
<b>TOTAL</b>	<b>1,413,451.28</b>	<b>1,559,501.86</b>



A Tradition of Stewardship  
A Commitment to Service

## NAPA COUNTY Portfolio Management Portfolio Summary January 31, 2015

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	95	0.120
LAIF	50,000,000.00	50,000,000.00	50,000,000.00	9.76	1	1	0.240
Federal Agency Coupon Securities	286,820,000.00	286,898,515.25	286,798,100.00	55.96	1,463	420	0.926
Federal Agency Disc. -At Cost	170,000,000.00	169,961,096.80	169,934,482.52	33.16	160	86	0.085
Teeter Notes	5,648,244.10	5,648,244.10	5,648,244.10	1.10	1,826	1,187	1.725
<b>Investments</b>	<b>512,568,244.10</b>	<b>512,607,856.15</b>	<b>512,478,826.62</b>	<b>100.00%</b>	<b>892</b>	<b>277</b>	<b>0.589</b>
<b>Cash and Accrued Interest</b>							
Accrued Interest at Purchase		0.00	0.00				
Ending Accrued Interest		679,241.56	679,241.56				
Subtotal		679,241.56	679,241.56				
<b>Total Cash and Investments Value</b>	<b>512,568,244.10</b>	<b>513,287,097.71</b>	<b>513,158,068.18</b>		<b>892</b>	<b>277</b>	<b>0.589</b>

Total Earnings	January 31 Month Ending	Fiscal Year To Date
Current Year	247,656.88	1,580,282.28
Average Daily Balance	528,344,976.92	479,484,945.03
Effective Rate of Return	0.55%	0.56%

I certify ....

Tamie R. Frasier, Trasurer-Tax Collector

1/31/15

Reporting period 01/01/2015-01/31/2015

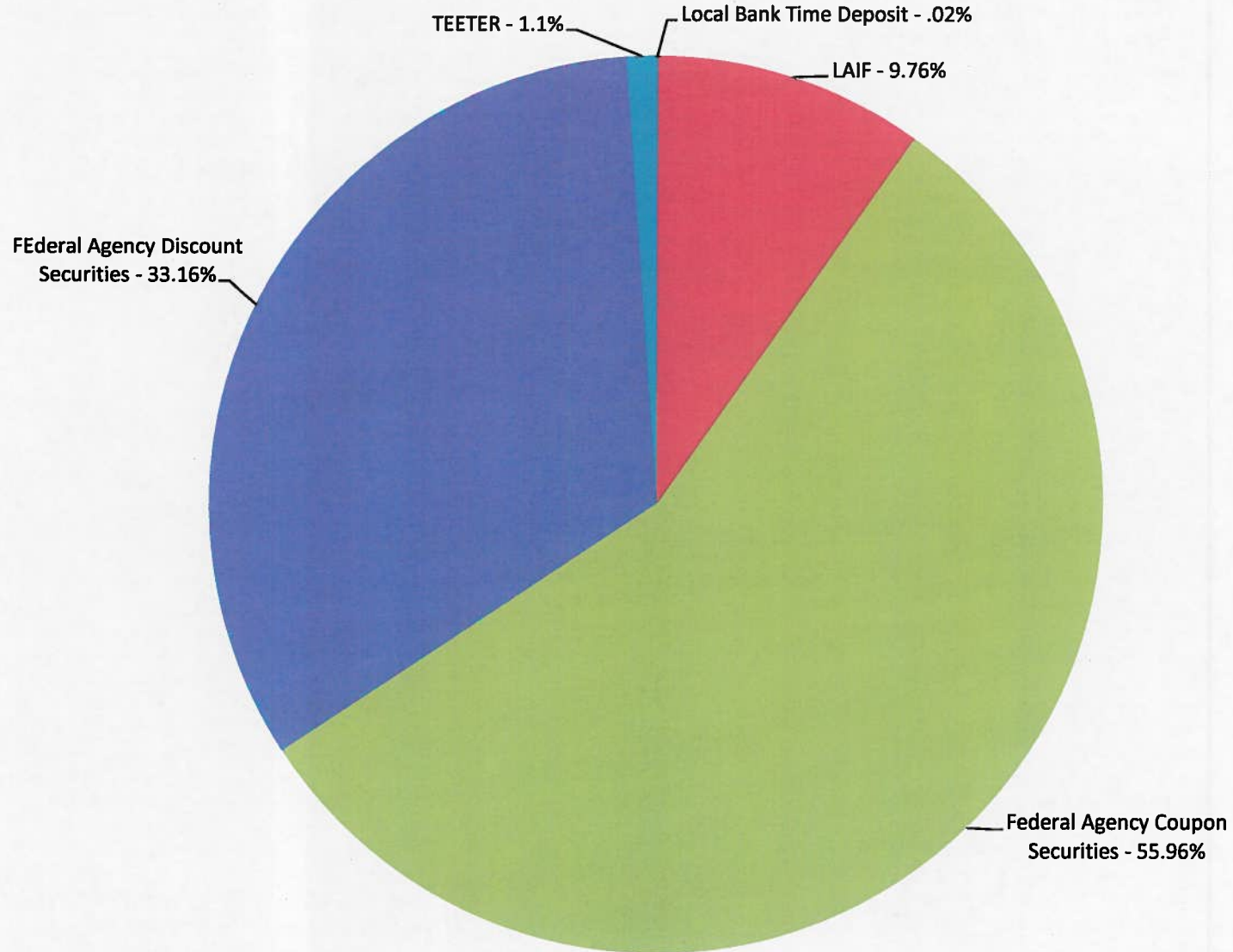
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Portfolio NAPA  
CP  
PM (PRF\_PM1) 7.3.0  
Report Ver. 7.3.5

NAPA COUNTY  
Portfolio Management - Portfolio Summary  
January 31, 2015

Napa County  
1195 Third Street, Ste 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

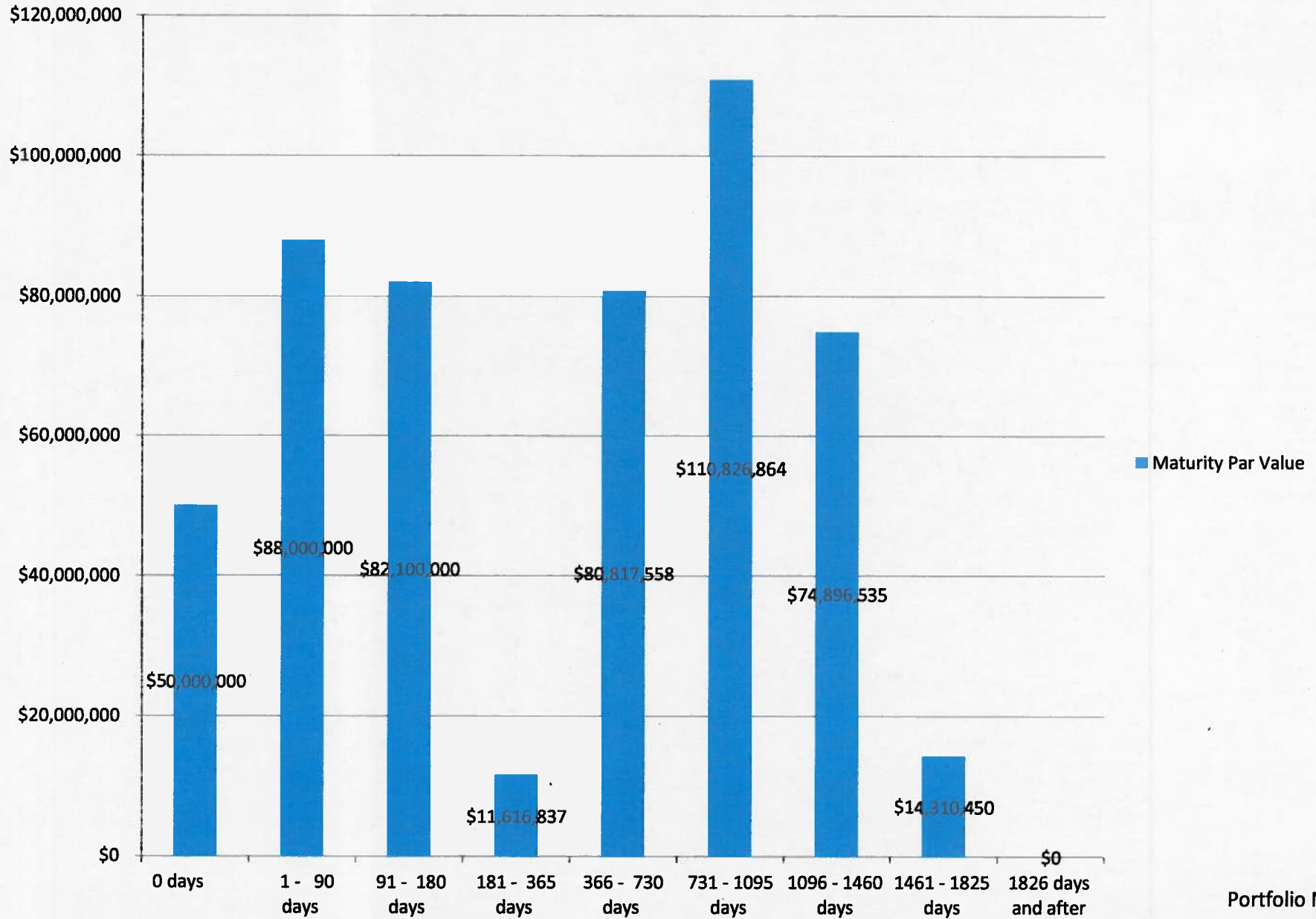
Napa County  
1195 Third Street  
suite 108  
Napa, CA 94559  
(707)253-4320

Aging Interval:	Maturity Dates	Maturities	Payments	Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	( 02/01/2015 - 02/01/2015 )	1 Maturities	0 Payments	50,000,000.00	9.75%	50,000,000.00	50,000,000.00
Aging Interval: 1 - 90 days	( 02/02/2015 - 05/02/2015 )	21 Maturities	0 Payments	88,000,000.00	17.17%	87,978,126.27	87,988,056.70
Aging Interval: 91 - 180 days	( 05/03/2015 - 07/31/2015 )	20 Maturities	0 Payments	82,100,000.00	16.02%	82,058,849.58	82,077,460.10
Aging Interval: 181 - 365 days	( 08/01/2015 - 02/01/2016 )	4 Maturities	0 Payments	11,616,836.92	2.27%	11,606,843.59	11,629,551.72
Aging Interval: 366 - 730 days	( 02/02/2016 - 01/31/2017 )	22 Maturities	0 Payments	80,817,557.78	15.77%	80,815,557.78	80,817,297.38
Aging Interval: 731 - 1095 days	( 02/01/2017 - 01/31/2018 )	31 Maturities	0 Payments	110,826,864.48	21.62%	110,822,464.48	110,784,556.03
Aging Interval: 1096 - 1460 days	( 02/01/2018 - 01/31/2019 )	21 Maturities	0 Payments	74,896,534.92	14.61%	74,888,534.92	74,923,404.22
Aging Interval: 1461 - 1825 days	( 02/01/2019 - 01/31/2020 )	4 Maturities	0 Payments	14,310,450.00	2.79%	14,308,450.00	14,387,530.00
Aging Interval: 1826 days and after	( 02/01/2020 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
<b>Total for</b>		<b>124 Investments</b>	<b>0 Payments</b>		<b>100.00</b>	<b>512,478,826.62</b>	<b>512,607,856.15</b>

NAPA COUNTY  
 Aging Report by Maturity Date  
 as of January 31, 2015

Napa County  
 1195 Third Street, Ste08  
 Napa, CA 94559  
 (707)253-4320

Investments within the Aging Period





**NAPA COUNTY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**January 31, 2015**

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
<b>Time Deposit - Bank</b>												
TCD05072015	10908	Umpqua Bank		11/08/2014	100,000.00	100,000.00	100,000.00	0.120	0.118	0.120	95	05/07/2015
<b>Subtotal and Average</b>			<b>100,000.00</b>		<b>100,000.00</b>	<b>100,000.00</b>	<b>100,000.00</b>		<b>0.118</b>	<b>0.120</b>	<b>95</b>	
<b>LAIF</b>												
LAIF	LAIF	State of California			50,000,000.00	50,000,000.00	50,000,000.00	0.240	0.237	0.240	1	
<b>Subtotal and Average</b>			<b>50,000,000.00</b>		<b>50,000,000.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>		<b>0.237</b>	<b>0.240</b>	<b>1</b>	
<b>Federal Agency Coupon Securities</b>												
3133EADW5	10403	Federal Farm Credit Bank		04/18/2012	3,000,000.00	3,006,510.00	2,998,500.00	0.550	0.557	0.565	197	08/17/2015
3133EAX29	10437	Federal Farm Credit Bank		09/18/2012	4,000,000.00	4,000,180.00	4,000,000.00	0.980	1.069	1.084	960	09/18/2017
3133EAZ76	10440	Federal Farm Credit Bank		09/26/2012	3,000,000.00	3,000,060.00	3,000,000.00	0.690	0.681	0.690	603	09/26/2016
3133EA3K2	10547	Federal Farm Credit Bank		10/11/2012	4,000,000.00	4,000,080.00	4,000,000.00	0.620	0.612	0.620	618	10/11/2016
3133EA5W4	10558	Federal Farm Credit Bank		10/24/2012	4,000,000.00	4,000,120.00	4,000,000.00	0.650	0.641	0.650	631	10/24/2016
3133EC5B6	10592	Federal Farm Credit Bank		11/29/2012	4,000,000.00	3,999,920.00	4,000,000.00	0.640	0.631	0.640	667	11/29/2016
3133EC5B6	10593	Federal Farm Credit Bank		11/29/2012	3,000,000.00	2,999,940.00	3,000,000.00	0.640	0.631	0.640	667	11/29/2016
3133EC6F6	10596	Federal Farm Credit Bank		12/05/2012	4,000,000.00	4,002,500.00	4,000,000.00	0.350	0.345	0.350	120	06/01/2015
3133EC5L4	10597	Federal Farm Credit Bank		12/05/2012	4,000,000.00	3,999,600.00	4,000,000.00	0.770	0.759	0.770	855	08/05/2017
3133ECAQ7	10609	Federal Farm Credit Bank		12/19/2012	4,000,000.00	3,996,840.00	4,000,000.00	0.540	0.533	0.540	596	09/19/2016
3133ECAQ7	10623	Federal Farm Credit Bank		12/24/2012	4,000,000.00	3,996,840.00	3,996,000.00	0.540	0.559	0.567	596	09/19/2016
3133ECB45	10626	Federal Farm Credit Bank		12/28/2012	4,000,000.00	4,000,200.00	4,000,000.00	0.900	0.888	0.900	1,059	12/28/2017
3133ECBN3	10629	Federal Farm Credit Bank		12/27/2012	4,000,000.00	3,990,560.00	4,000,000.00	0.650	0.641	0.650	695	12/27/2016
3133ECDZ4	10645	Federal Farm Credit Bank		02/01/2013	4,000,000.00	3,997,240.00	4,000,000.00	0.500	0.493	0.500	547	08/01/2016
3133ECEK6	10648	Federal Farm Credit Bank		02/08/2013	4,000,000.00	4,007,840.00	4,000,000.00	0.780	0.769	0.780	736	02/08/2017
3133ECGC2	10656	Federal Farm Credit Bank		02/26/2013	4,000,000.00	4,000,200.00	4,000,000.00	1.080	1.065	1.080	1,121	02/26/2018
3133ECGF5	10660	Federal Farm Credit Bank		03/04/2013	700,000.00	699,356.00	700,000.00	0.800	0.789	0.800	757	02/27/2017
3133ECGC2	10664	Federal Farm Credit Bank		03/13/2013	4,000,000.00	4,000,200.00	4,000,000.00	1.080	1.065	1.080	1,121	02/26/2018
3133ECLC6	10690	Federal Farm Credit Bank		04/12/2013	4,000,000.00	3,991,400.00	4,000,000.00	0.800	0.789	0.800	984	10/12/2017
3133ECLB8	10691	Federal Farm Credit Bank		04/12/2013	4,000,000.00	3,996,760.00	4,000,000.00	0.450	0.444	0.450	527	07/12/2016
3133ECLB8	10692	Federal Farm Credit Bank		04/12/2013	4,000,000.00	3,996,760.00	4,000,000.00	0.450	0.444	0.450	527	07/12/2016
3133ECLG7	10697	Federal Farm Credit Bank		04/17/2013	4,000,000.00	3,988,840.00	4,000,000.00	0.690	0.681	0.690	806	04/17/2017
3133ECMJ0	10704	Federal Farm Credit Bank		04/25/2013	4,000,000.00	3,983,400.00	4,000,000.00	0.740	0.730	0.740	905	07/25/2017
3133ECQT4	10716	Federal Farm Credit Bank		05/30/2013	4,000,000.00	3,992,120.00	4,000,000.00	0.750	0.740	0.750	849	05/30/2017
3133ED6D9	10829	Federal Farm Credit Bank		02/28/2014	4,000,000.00	4,006,320.00	4,012,160.00	0.500	0.355	0.360	458	05/04/2016
3133EDGA4	10832	Federal Farm Credit Bank		03/05/2014	4,000,000.00	4,000,200.00	4,000,000.00	1.070	1.055	1.070	947	09/05/2017
3133EDHG0	10836	Federal Farm Credit Bank		03/19/2014	4,000,000.00	4,007,000.00	4,000,000.00	1.390	1.371	1.390	46	03/19/2018
3133EDJU7	10858	Federal Farm Credit Bank		04/17/2014	3,000,000.00	2,998,740.00	3,000,000.00	0.670	0.661	0.670	624	10/17/2016

**NAPA COUNTY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**January 31, 2015**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTW/C 360	YTW/C 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupon Securities</b>												
3133EDLK8	10865	Federal Farm Credit Bank		05/15/2014	4,000,000.00	4,008,480.00	4,000,000.00	0.930	0.917	0.930	103	05/15/2017
3133EDQM7	10876	Federal Farm Credit Bank		07/17/2014	1,000,000.00	1,005,490.00	1,000,000.00	1.000	0.986	1.000	897	07/17/2017
3133EDQZ8	10879	Federal Farm Credit Bank		07/23/2014	4,000,000.00	4,020,160.00	4,000,000.00	1.520	1.499	1.520	172	07/23/2018
3133EEFQ8	10928	Federal Farm Credit Bank		12/17/2014	4,000,000.00	4,027,800.00	4,000,000.00	1.620	1.598	1.620	319	12/17/2018
3133EEKV1	10939	Federal Farm Credit Bank		01/22/2015	4,000,000.00	4,005,624.80	4,000,000.00	1.020	1.006	1.020	355	01/22/2018
3133EELR9	10940	Federal Farm Credit Bank		01/27/2015	4,000,000.00	3,996,800.00	4,000,000.00	0.625	0.616	0.625	360	01/27/2017
3133813R4	10576	Federal Home Loan Bank		11/09/2012	4,000,000.00	3,994,120.00	4,000,000.00	1.000	0.986	1.000	8	11/09/2017
313381B53	10610	Federal Home Loan Bank		12/20/2012	4,000,000.00	4,006,874.80	3,997,840.00	0.580	0.586	0.594	652	11/14/2016
3133813R4	10630	Federal Home Loan Bank		12/28/2012	3,000,000.00	2,995,590.00	3,000,000.00	1.000	0.986	1.000	8	11/09/2017
313381MR3	10631	Federal Home Loan Bank		12/28/2012	4,000,000.00	4,002,040.00	4,000,000.00	0.550	0.542	0.550	55	06/28/2016
313381LC7	10632	Federal Home Loan Bank		12/28/2012	4,000,000.00	3,996,680.00	4,000,000.00	0.950	0.937	0.950	27	12/28/2017
313382GP2	10676	Federal Home Loan Bank		04/05/2013	4,000,000.00	3,993,040.00	4,000,000.00	0.900	0.888	0.900	977	10/05/2017
313382QF3	10679	Federal Home Loan Bank		04/09/2013	4,000,000.00	3,995,880.00	4,000,000.00	1.010	0.996	1.010	1,163	04/09/2018
313382QT3	10705	Federal Home Loan Bank		04/25/2013	2,000,000.00	1,994,520.00	2,000,000.00	1.000	0.986	1.000	83	01/25/2018
313383DQ1	10720	Federal Home Loan Bank		06/18/2013	4,000,000.00	3,989,400.00	4,000,000.00	1.000	0.986	1.000	45	12/18/2017
313383JZ5	10726	Federal Home Loan Bank		06/27/2013	1,195,000.00	1,197,079.30	1,195,000.00	1.450	1.430	1.450	54	06/27/2018
3130A1C30	10844	Federal Home Loan Bank		03/27/2014	4,000,000.00	3,999,280.00	4,000,000.00	1.000	0.986	1.000	54	03/27/2017
3130A1NN4	10857	Federal Home Loan Bank		04/16/2014	4,000,000.00	4,023,320.00	4,001,600.00	0.875	0.850	0.862	843	05/24/2017
3130A3ND2	10933	Federal Home Loan Bank		12/29/2014	3,000,000.00	3,010,230.00	3,000,000.00	1.325	1.307	1.325	148	06/29/2018
3130A3Q23	10934	Federal Home Loan Bank		12/30/2014	4,000,000.00	4,003,880.00	4,000,000.00	0.800	0.789	0.800	57	12/30/2016
3134G3Y38	10587	Federal Home Loan Mtg Corp		11/27/2012	3,000,000.00	2,995,020.00	3,000,000.00	0.900	0.977	0.991	1,030	11/27/2017
3134G43F3	10707	Federal Home Loan Mtg Corp		04/30/2013	4,000,000.00	3,983,320.00	4,000,000.00	1.020	1.006	1.020	88	04/30/2018
3134G42G2	10708	Federal Home Loan Mtg Corp		04/30/2013	4,000,000.00	3,987,080.00	4,000,000.00	1.050	1.036	1.050	88	04/30/2018
3134G46D5	10719	Federal Home Loan Mtg Corp		06/12/2013	4,000,000.00	3,998,720.00	4,000,000.00	1.200	1.184	1.200	39	06/12/2018
3134G47M4	10723	Federal Home Loan Mtg Corp		06/26/2013	1,500,000.00	1,502,640.00	1,500,000.00	1.500	1.479	1.500	53	06/26/2018
3134G4Z35	10841	Federal Home Loan Mtg Corp		03/26/2014	4,000,000.00	4,006,250.00	3,992,000.00	0.600	0.671	0.661	603	09/26/2016
3134G52R5	10861	Federal Home Loan Mtg Corp		04/24/2014	4,000,000.00	4,013,160.00	4,000,000.00	1.500	1.479	1.500	82	04/24/2018
3134G54Z5	10869	Federal Home Loan Mtg Corp		05/29/2014	4,000,000.00	4,016,320.00	4,000,000.00	1.500	1.480	1.500	116	08/28/2018
3134G55U5	10870	Federal Home Loan Mtg Corp		05/28/2014	4,000,000.00	4,001,760.00	4,000,000.00	1.125	1.110	1.125	27	05/28/2019
3134G5AR6	10875	Federal Home Loan Mtg Corp		07/07/2014	4,425,000.00	4,459,470.75	4,425,000.00	1.000	0.986	1.000	887	07/07/2017
3134G5DJ1	10877	Federal Home Loan Mtg Corp		07/17/2014	4,000,000.00	4,009,400.00	4,000,000.00	1.480	1.460	1.480	75	07/17/2018
3134G5SW6	10935	Federal Home Loan Mtg Corp		12/30/2014	4,000,000.00	4,011,000.00	4,000,000.00	1.000	0.986	1.000	149	06/30/2017
3135G0RK1	10575	Federal National Mtg Assn		11/07/2012	4,000,000.00	3,997,040.00	3,994,000.00	0.900	0.948	0.961	6	11/07/2017
3136G04M0	10582	Federal National Mtg Assn		11/21/2012	3,000,000.00	3,000,690.00	3,000,000.00	0.750	0.740	0.750	20	11/21/2016
3136G05S6	10594	Federal National Mtg Assn		11/30/2012	4,000,000.00	3,973,880.00	4,000,000.00	0.900	0.888	0.900	27	08/30/2017
3135G0TV5	10644	Federal National Mtg Assn		01/30/2013	4,000,000.00	3,980,720.00	4,000,000.00	1.030	1.123	1.138	1,094	01/30/2018

**NAPA COUNTY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**January 31, 2015**

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
<b>Federal Agency Coupon Securities</b>												
3135GOTY9	10650	Federal National Mtg Assn		02/15/2013	4,000,000.00	4,000,624.80	4,000,000.00	0.600	0.592	0.600	561	08/15/2016
3136G1GJ2	10671	Federal National Mtg Assn		03/27/2013	4,000,000.00	3,984,480.00	4,000,000.00	0.850	0.838	0.850	54	06/27/2017
3136G1HD4	10673	Federal National Mtg Assn		03/28/2013	4,000,000.00	3,997,500.00	4,000,000.00	0.750	0.740	0.750	55	03/28/2017
3136G1HC6	10674	Federal National Mtg Assn		03/28/2013	4,000,000.00	4,004,280.00	4,000,000.00	0.850	0.838	0.850	55	03/28/2018
3136G1KY4	10706	Federal National Mtg Assn		04/29/2013	4,000,000.00	4,002,400.00	4,000,000.00	0.500	0.493	0.500	87	07/29/2016
3135G0WX7	10713	Federal National Mtg Assn		05/21/2013	4,000,000.00	3,997,160.00	4,000,000.00	1.000	0.986	1.000	14	02/15/2018
3135G0WA7	10715	Federal National Mtg Assn		05/29/2013	4,000,000.00	3,990,960.00	4,000,000.00	1.125	1.109	1.125	55	03/28/2018
3135G0XK4	10717	Federal National Mtg Assn		05/30/2013	4,000,000.00	3,984,200.00	4,000,000.00	1.050	1.036	1.050	24	05/25/2018
3135G0XS7	10718	Federal National Mtg Assn		06/06/2013	4,000,000.00	3,996,080.00	3,992,000.00	1.125	1.210	1.227	33	06/06/2018
3135G0QB2	10725	Federal National Mtg Assn		06/27/2013	4,000,000.00	4,008,124.80	3,994,000.00	0.500	0.557	0.565	263	10/22/2015
3136G24G9	10885	Federal National Mtg Assn		08/25/2014	4,000,000.00	4,004,920.00	4,000,000.00	1.050	1.036	1.050	571	08/25/2017
3136G24V6	10886	Federal National Mtg Assn		08/28/2014	4,000,000.00	4,033,080.00	3,998,000.00	1.900	1.884	1.911	208	08/28/2019
3136G27C5	10893	Federal National Mtg Assn		10/15/2014	4,000,000.00	4,042,240.00	4,000,000.00	2.100	2.071	2.100	256	10/15/2019
<b>Subtotal and Average</b>			<b>283,441,261.29</b>		<b>286,820,000.00</b>	<b>286,898,515.25</b>	<b>286,796,100.00</b>		<b>0.913</b>	<b>0.926</b>	<b>420</b>	

**Federal Agency Disc. -At Cost**

313312FM7	10919	Federal Farm Credit Bank		12/09/2014	4,000,000.00	3,998,714.80	3,998,117.78	0.110	0.110	0.112	100	05/12/2015
313312GS3	10926	Federal Farm Credit Bank		12/15/2014	4,000,000.00	3,998,360.00	3,997,640.00	0.120	0.120	0.122	129	06/10/2015
313384DP1	10888	Federal Home Loan Bank		09/26/2014	3,000,000.00	2,999,422.20	2,999,090.00	0.060	0.060	0.061	54	03/27/2015
313384CF4	10890	Federal Home Loan Bank		10/02/2014	4,000,000.00	3,999,282.00	3,999,200.00	0.050	0.050	0.051	22	02/23/2015
313384CC1	10895	Federal Home Loan Bank		10/20/2014	4,000,000.00	3,999,382.00	3,999,316.67	0.050	0.050	0.051	19	02/20/2015
313384CZ0	10896	Federal Home Loan Bank		10/21/2014	4,000,000.00	3,999,307.60	3,999,205.56	0.050	0.050	0.051	40	03/13/2015
313384CJ6	10897	Federal Home Loan Bank		10/24/2014	4,000,000.00	3,999,512.40	3,999,444.44	0.040	0.040	0.041	25	02/26/2015
313384CH0	10898	Federal Home Loan Bank		10/29/2014	5,000,000.00	4,999,290.00	4,999,173.61	0.050	0.050	0.051	24	02/25/2015
313384FW4	10900	Federal Home Loan Bank		10/30/2014	4,000,000.00	3,998,484.40	3,998,195.56	0.080	0.081	0.082	109	05/21/2015
313384ET2	10901	Federal Home Loan Bank		10/30/2014	4,000,000.00	3,998,868.80	3,998,631.12	0.070	0.070	0.071	82	04/24/2015
313384CJ6	10902	Federal Home Loan Bank		11/03/2014	4,000,000.00	3,999,512.40	3,999,425.00	0.045	0.045	0.046	25	02/26/2015
313588GE9	10903	Federal Home Loan Bank		11/03/2014	5,000,000.00	4,999,050.00	4,998,131.25	0.065	0.066	0.066	117	05/29/2015
313384EY1	10904	Federal Home Loan Bank		11/05/2014	5,000,000.00	4,998,522.00	4,998,055.56	0.080	0.080	0.081	87	04/29/2015
313384EZ8	10905	Federal Home Loan Bank		11/13/2014	5,000,000.00	4,998,722.00	4,998,366.67	0.070	0.070	0.071	88	04/30/2015
313384FH7	10906	Federal Home Loan Bank		11/13/2014	4,000,000.00	3,998,600.00	3,998,240.00	0.090	0.090	0.091	96	05/08/2015
313384BK	10911	Federal Home Loan Bank		11/26/2014	5,000,000.00	4,999,534.50	4,999,520.83	0.050	0.050	0.051	2	02/03/2015
313384GE3	10912	Federal Home Loan Bank		12/01/2014	5,000,000.00	4,998,102.50	4,997,265.28	0.110	0.110	0.112	117	05/29/2015
313384ER6	10914	Federal Home Loan Bank		12/03/2014	4,000,000.00	3,999,073.20	3,998,677.78	0.085	0.085	0.086	80	04/22/2015
313384DP1	10916	Federal Home Loan Bank		12/08/2014	4,000,000.00	3,999,229.60	3,999,152.22	0.070	0.070	0.071	54	03/27/2015
313384GM5	10917	Federal Home Loan Bank		12/08/2014	4,000,000.00	3,998,367.80	3,997,812.22	0.110	0.110	0.112	124	06/05/2015

Portfolio NAPA  
CP

**NAPA COUNTY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**January 31, 2015**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTW/C 360	YTW/C 365	Days to Maturity	Maturity Date
<b>Federal Agency Disc. -At Cost</b>												
313312FX3	10918	Federal Home Loan Bank		12/08/2014	4,000,000.00	3,998,790.80	3,998,533.33	0.080	0.080	0.081	110	05/22/2015
313384FD6	10923	Federal Home Loan Bank		12/12/2014	4,000,000.00	3,998,918.00	3,998,649.44	0.085	0.085	0.086	92	05/04/2015
313384DK2	10924	Federal Home Loan Bank		12/12/2014	4,000,000.00	3,999,358.00	3,999,046.11	0.085	0.085	0.086	50	03/23/2015
313384BR9	10925	Federal Home Loan Bank		12/12/2014	4,000,000.00	3,999,660.00	3,999,606.67	0.060	0.060	0.061	8	02/09/2015
313384HQ5	10941	Federal Home Loan Bank		01/30/2015	4,000,000.00	3,998,662.00	3,998,640.00	0.080	0.080	0.081	151	07/02/2015
313396BL6	10884	Federal Home Loan Mtg Corp		08/19/2014	4,000,000.00	4,000,000.00	3,998,403.89	0.085	0.085	0.086	3	02/04/2015
313396DS9	10894	Federal Home Loan Mtg Corp		10/20/2014	5,000,000.00	4,999,800.00	4,998,658.33	0.060	0.060	0.061	57	03/30/2015
313396DD2	10913	Federal Home Loan Mtg Corp		12/02/2014	4,000,000.00	3,999,880.00	3,999,066.67	0.080	0.080	0.081	44	03/17/2015
313396HF3	10929	Federal Home Loan Mtg Corp		12/17/2014	4,000,000.00	3,998,920.00	3,997,180.00	0.135	0.137	0.139	142	06/23/2015
313588BV6	10878	Federal National Mtg Assn		07/22/2014	4,000,000.00	3,999,960.00	3,997,940.00	0.090	0.092	0.093	12	02/13/2015
313588CN3	10891	Federal National Mtg Assn		10/14/2014	3,000,000.00	2,999,940.00	2,999,420.83	0.050	0.050	0.051	29	03/02/2015
313588DT9	10892	Federal National Mtg Assn		10/15/2014	5,000,000.00	4,999,800.00	4,998,724.31	0.055	0.055	0.056	58	03/31/2015
313588HN8	10920	Federal National Mtg Assn		12/09/2014	5,000,000.00	4,998,550.00	4,996,898.61	0.110	0.111	0.113	149	06/30/2015
313588HN8	10922	Federal National Mtg Assn		12/10/2014	5,000,000.00	4,998,550.00	4,996,633.33	0.120	0.121	0.123	149	06/30/2015
313588HR9	10930	Federal National Mtg Assn		12/19/2014	4,000,000.00	3,998,640.00	3,997,168.89	0.130	0.132	0.133	152	07/03/2015
313588JF3	10931	Federal National Mtg Assn		12/23/2014	4,000,000.00	3,998,520.00	3,997,024.44	0.130	0.132	0.133	166	07/17/2015
313588GJ8	10932	Federal National Mtg Assn		12/29/2014	4,000,000.00	3,999,080.00	3,998,277.78	0.100	0.100	0.101	121	06/02/2015
313588HB4	10936	Federal National Mtg Assn		12/31/2014	5,000,000.00	4,998,650.00	4,997,875.00	0.090	0.090	0.091	138	06/19/2015
313588JV8	10937	Federal National Mtg Assn		01/06/2015	5,000,000.00	4,998,000.00	4,998,566.67	0.120	0.121	0.123	180	07/31/2015
313588KK0	10938	Federal National Mtg Assn		01/22/2015	4,000,000.00	3,998,080.00	3,997,506.67	0.110	0.111	0.112	194	08/14/2015
<b>Subtotal and Average</b>			<b>189,155,471.53</b>		<b>170,000,000.00</b>	<b>169,961,096.80</b>	<b>169,934,482.52</b>		<b>0.083</b>	<b>0.085</b>	<b>86</b>	
<b>Teeter Notes</b>												
TTRN1011	10213	Napa County		09/01/2010	616,836.92	616,836.92	616,836.92	0.400	0.954	0.967	212	09/01/2015
TTRN1112	10214	Napa County		09/01/2011	817,557.78	817,557.78	817,557.78	0.880	1.041	1.056	578	09/01/2016
TTRN1213	10215	Napa County		09/01/2012	701,864.48	701,864.48	701,864.48	1.390	1.375	1.394	943	09/01/2017
TTRN1314	10750	Napa County		09/01/2013	1,201,534.92	1,201,534.92	1,201,534.92	1.790	1.842	1.868	1,308	09/01/2018
TTRN1415	10887	Napa County		09/01/2014	2,310,450.00	2,310,450.00	2,310,450.00	2.190	2.160	2.190	1,673	09/01/2019
<b>Subtotal and Average</b>			<b>5,648,244.10</b>		<b>5,648,244.10</b>	<b>5,648,244.10</b>	<b>5,648,244.10</b>		<b>1.701</b>	<b>1.725</b>	<b>1,187</b>	
<b>Total and Average</b>			<b>528,344,976.92</b>		<b>512,568,244.10</b>	<b>512,607,856.15</b>	<b>512,478,826.62</b>		<b>0.581</b>	<b>0.589</b>	<b>277</b>	



A Tradition of Stewardship  
A Commitment to Service

# NAPA COUNTY Activity Report Sorted By Custodian

**January 1, 2015 - January 31, 2015**

Napa County  
1195 Third Street  
suite 108  
Napa, CA 94559  
(707)253-4320

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Redemptions or Withdrawals	
<b>Custodian: Bank of New York Mellon</b>									
<b>Time Deposit - Bank</b>									
			<b>Subtotal and Balance</b>	<b>100,000.00</b>					<b>100,000.00</b>
<b>Federal Agency Coupon Securities</b>									
3133ECHB3	10862	Federal Farm Credit Bank			0.450	01/22/2015	0.00	4,000,000.00	
3133EEKV1	10939	Federal Farm Credit Bank			1.020	01/22/2015	4,000,000.00	0.00	
3133EELR9	10940	Federal Farm Credit Bank			0.625	01/27/2015	4,000,000.00	0.00	
			<b>Subtotal and Balance</b>	<b>282,820,000.00</b>			<b>8,000,000.00</b>	<b>4,000,000.00</b>	<b>286,820,000.00</b>
<b>Federal Agency Disc. -At Cost</b>									
313588BF1	10871	Federal National Mtg Assn			0.075	01/30/2015	0.00	5,000,000.00	
313588AR6	10872	Federal National Mtg Assn			0.075	01/16/2015	0.00	3,000,000.00	
313396BF9	10873	Federal Home Loan Mtg Corp			0.090	01/30/2015	0.00	5,000,000.00	
313588AB1	10882	Federal National Mtg Assn			0.085	01/02/2015	0.00	4,000,000.00	
313384BF5	10883	Federal Home Loan Bank			0.090	01/30/2015	0.00	5,000,000.00	
313384BF5	10907	Federal Home Loan Bank			0.055	01/30/2015	0.00	5,000,000.00	
313312AQ3	10915	Federal Farm Credit Bank			0.050	01/15/2015	0.00	4,000,000.00	
313312AF7	10921	Federal Farm Credit Bank				01/06/2015	0.00	4,000,000.00	
313384BF5	10927	Federal Home Loan Bank			0.055	01/30/2015	0.00	4,000,000.00	
313588JV8	10937	Federal National Mtg Assn			0.120	01/06/2015	5,000,000.00	0.00	
313588KK0	10938	Federal National Mtg Assn			0.110	01/22/2015	4,000,000.00	0.00	
313384HQ5	10941	Federal Home Loan Bank			0.080	01/30/2015	4,000,000.00	0.00	
			<b>Subtotal and Balance</b>	<b>196,000,000.00</b>			<b>13,000,000.00</b>	<b>39,000,000.00</b>	<b>170,000,000.00</b>
			<b>Custodian Subtotal</b>	<b>89.143%</b>	<b>478,920,000.00</b>		<b>21,000,000.00</b>	<b>43,000,000.00</b>	<b>456,920,000.00</b>

**Custodian: County of Napa**

**Teeter Notes**

			<b>Subtotal and Balance</b>	<b>5,648,244.10</b>					<b>5,648,244.10</b>
			<b>Custodian Subtotal</b>	<b>1.102%</b>	<b>5,648,244.10</b>		<b>0.00</b>	<b>0.00</b>	<b>5,648,244.10</b>

**NAPA COUNTY  
Activity Report  
January 1, 2015 - January 31, 2015**

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
<b>Custodian: Local Agency Investment Fund</b>									
<b>LAIF</b>									
				50,000,000.00					50,000,000.00
			<b>Subtotal and Balance</b>						
			<b>Custodian Subtotal</b>	9.755%	50,000,000.00		0.00	0.00	50,000,000.00
			<b>Total</b>	100.000%	534,568,244.10		21,000,000.00	43,000,000.00	512,568,244.10





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