

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings and court decisions and assuming, among other things, the accuracy of certain representation and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "CONCLUDING INFORMATION - Tax Matters."

\$10,710,000
YOUNTVILLE FINANCE AUTHORITY
2008 LEASE REVENUE BONDS
(Yountville Town Center Project)

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

Purpose. The Yountville Finance Authority (the "Authority") is issuing its 2008 Lease Revenue Bonds (Yountville Town Center Project) (the "Bonds") to (i) finance the costs of constructing the Yountville Town Center project (the "Project") and fund interest on the Bonds through January 31, 2010; (ii) fund a reserve fund for the Bonds; and (iii) pay certain costs associated with the issuance of the Bonds. See "THE YOUNTVILLE TOWN CENTER PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS."

Terms of the Bonds. The Bonds are issued pursuant to the terms of the Trust Agreement dated July 1, 2008 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The principal of the Bonds is payable upon their respective stated maturities on October 1 of each year. Interest on the Bonds will be payable on April 1, 2009, and semiannually thereafter on each April 1 and October 1.

Redemption. The Bonds are subject to optional, mandatory and extraordinary redemption as described herein. See "THE BONDS-Redemption Provisions."

Book-Entry Form. The Bonds will be issued in book-entry form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. Ownership interests in the Bonds may initially be purchased, in denominations of \$5,000 or any integral multiple thereof, in book-entry only form as described herein. So long as Cede & Co is the registered owner of the Bonds, payments of principal and interest will be made to Cede & Co., as nominee for DTC. DTC is required in turn to remit such payments to DTC Participants for subsequent disbursements to Beneficial Owners. 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 Indirect Participants as more fully described herein. See APPENDIX F-"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Security. The Bonds are limited obligations of the Authority payable solely from certain revenues of the Authority, consisting primarily of Rental Payments (as defined herein) to be made by the Town to the Authority pursuant to a Facilities Lease dated July 1, 2008 (the "Facilities Lease"), pursuant to which the Town will lease the Leased Property (defined herein) from the Authority. The Town has covenanted in the Facilities Lease to take such action as may be necessary to include Rental Payments in its annual budgets and to make necessary annual appropriations therefor. The Town has agreed in the Facilities Lease to make all Rental Payments, subject to abatement if damage to or destruction or condemnation of the Leased Property results in substantial interference with the Town's use and occupancy of the Leased Property, and except as otherwise described therein.

Limited Obligations. The Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or the Town or any of their income or receipts, except as described herein. Neither the faith and credit nor the general taxing power of the Town, the State of California, or any political subdivision thereof is pledged to the payment of the Bonds. Neither the payment of the principal of or interest on the Bonds nor the obligation to make rental payments under the Facilities Lease constitutes a debt, liability or obligation of the Authority or the Town for which either entity is obligated to levy or pledge any form of taxation or for which either entity has levied or pledged any form of taxation, other than a portion of the Town's transient occupancy taxes. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

Cover Page. This cover page contains information for quick reference only. It is *not* a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds and for a description of a proposed local initiative measure concerning lease financing by the Town that has qualified for the November 2008 ballot.

MATURITY SCHEDULE
(See inside cover)

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel. Certain legal matters will be passed on for the Authority and the Town by the Town Attorney. Certain legal matters will be passed upon for the Underwriter by their counsel, Nossaman LLP. It is anticipated that the Bonds will be available for delivery in book-entry only form on or about July 24, 2008.



MATURITY SCHEDULE
(Base CUSIP† No. 987788)

\$5,035,000 Serial Bonds

<u>Maturity</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
2010	\$175,000	5.000%	2.310%	AA4
2011	180,000	5.000	2.690	AB2
2012	190,000	4.000	2.960	AC0
2013	200,000	4.000	3.130	AD8
2014	205,000	5.000	3.270	AE6
2015	215,000	4.000	3.420	AF3
2016	225,000	4.000	3.560	AG1
2017	235,000	5.000	3.690	AH9
2018	250,000	5.000	3.820	AJ5
2019	260,000	4.000	4.040	AK2
2020	270,000	4.000	4.170	AL0
2021	280,000	4.125	4.290	AM8
2022	295,000	4.200	4.410	AN6
2023	305,000	4.250	4.530	AP1
2024	320,000	4.375	4.630	AQ9
2025	335,000	4.500	4.680	AR7
2026	350,000	4.500	4.730	AS5
2027	365,000	4.600	4.780	AT3
2028	380,000	4.625	4.830	AU0

\$1,585,000 4.750% Term Bonds due October 1, 2033* – Price: 96.852% – Yield: 4.970% – CUSIP† - 987788AV8
 \$625,000 5.000% Term Bonds due October 1, 2033* – Price: 100.468% – Yield: 4.940%** – CUSIP† - 987788AW6
 \$3,465,000 4.875% Term Bonds due October 1, 2039 – Price: 97.719% – Yield: 5.020% – CUSIP† - 987788AX4

* Bifurcated Term Bond.

** Yield to call at par on October 1, 2018.

† Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the Authority, the Town, nor the Underwriter takes any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

Information in Official Statement. The information set forth in this Official Statement has been furnished by the Town and other sources that 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 press release and in any oral statement made with the approval of an authorized officer of the Town, 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.” 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.

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the Trust Agreement 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 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

**YOUNTVILLE FINANCE AUTHORITY
PRESIDENT AND BOARD
AND
TOWN OF YOUNTVILLE
MAYOR AND TOWN COUNCIL**

*Cynthia Saucerman, President and Mayor
John Dunbar, Member and Vice Mayor
Bill Dutton, Member and Councilmember
Steven Rosa, Member and Councilmember
Lewis Chilton, Member and Councilmember*

AUTHORITY AND TOWN STAFF

*Steven Rogers, Administrator and Town Manager
Richard Stranzl, Treasurer/Controller and Finance Director
Michelle Price, Secretary and Town Clerk
Amy Valukevich, Counsel to the Authority and Town Attorney*

SPECIAL SERVICES

*Kronick, Moskovitz, Tiedemann & Girard,
a Professional Corporation
Sacramento, California
Bond Counsel and Disclosure Counsel*

*The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California
Trustee*

*KNN Public Finance,
A Division of Zions First National Bank
Oakland, California
Financial Advisor*

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APPENDIX A–Audited Financial Statements of the Town for the Fiscal Year
Ended June 30, 2007

APPENDIX B–Summary of Certain Provisions of Principal Legal Documents

APPENDIX C–Proposed Form of Bond Counsel Opinion

APPENDIX D–Form of Continuing Disclosure Certificate

APPENDIX E–DTC and the Book-Entry Only System

OFFICIAL STATEMENT

\$10,710,000

**YOUNTVILLE FINANCE AUTHORITY
2008 LEASE REVENUE BONDS
(Yountville Town Center Project)**

INTRODUCTION

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Trust Agreement dated July 1, 2008 (the "Trust Agreement"), between the Yountville Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS."

This Official Statement speaks only as of its date, and the information herein is subject to change.

The Authority

The Authority is a joint exercise of powers agency organized under the laws of the State of California pursuant to an agreement between the Town of Yountville (the "Town") and the Parking Authority of the Town of Yountville. The Authority was formed in 2008 to assist in the financing of public capital improvements.

General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Authority of its 2008 Lease Revenue Bonds (Yountville Town Center Project) (the "Bonds").

The Authority will enter into a Site Lease dated July 1, 2008, with the Town, pursuant to which the Town will lease to the Authority the Town's Community Hall and the new Community Center and Library building, the remodeling and the construction of which, respectively, will be financed with proceeds of the Bonds (collectively, the "Leased Property"). In consideration for the lease of the Leased Property, the Authority will deposit the proceeds of the Bonds in the various funds and accounts created under the Trust Agreement, including the Construction Fund, from which the Town may withdraw funds to pay for the construction of the Yountville Town Center project. See "THE YOUNTVILLE TOWN CENTER PROJECT." The Town will lease the Leased Property from the Authority pursuant to a Facilities Lease dated July 1, 2008 (the "Facilities Lease"), between the Authority and the Town. The Rental Payments made by the Town to the Authority under the Facilities Lease are equal to the scheduled debt service on the Bonds. The Bonds are limited obligations of the Authority payable solely from Revenues (as defined herein) consisting primarily of the Rental Payments.

The Town Council has approved the execution and delivery of the Facilities Lease. The proposed form of the final approving opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation ("Bond Counsel"), includes the opinion that, based on existing statutes and court decisions, the Facilities Lease is enforceable against the Town, subject to bankruptcy and similar laws affecting the enforcement of creditors' rights generally. See APPENDIX C – "PROPOSED FORM OF BOND COUNSEL OPINION." A local initiative measure has qualified for the November 2008 ballot that would require voter approval of certain Town lease financing agreements entered into after January 1, 2008, which would

include the Facilities Lease. Bond Counsel is of the opinion that the retroactive application of the measure to the Facilities Lease would be void as an unconstitutional impairment of the Town's contractual obligations. See "CERTAIN RISK FACTORS – Proposed Initiative Measure."

Purpose

The proceeds of the Bonds will be used to: (i) finance the costs of the construction of a new Community Center and Library building, the remodeling of the existing Community Hall, the construction of a new sheriff's substation, and the construction and landscaping of a new Town Square (collectively, the "Project"); (ii) fund interest on the Bonds through January 31, 2010, (iii) fund a reserve fund for the Bonds; and (iv) pay costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds

The Bonds will be issued pursuant to the terms of the Trust Agreement. The Bonds are dated their date of delivery and mature in the amounts and in the years and bear interest at the rates set forth on the inside cover page hereof. Interest on the Bonds will be payable on April 1, 2009, and semiannually thereafter on each April 1 and October 1. The Bonds are subject to optional, mandatory, and extraordinary redemption prior to their respective maturities. See "THE BONDS – Redemption Provisions."

The Bonds will be issued in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in the principal amount of \$5,000 or any integral multiple thereof. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Security and Sources of Payment for the Bonds

General. Under the Trust Agreement, the Authority (i) will assign to the Trustee its interest under the Facilities Lease and (ii) will pledge the Revenues and other amounts held under the Trust Agreement to secure payment of debt service on the Bonds. The Authority's obligation to pay debt service on the Bonds is limited exclusively to the payments and other moneys and assets received by the Trustee on behalf of the Authority under the Facilities Lease and the amounts held pursuant to the Trust Agreement. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT."

Under the Facilities Lease, the Town is required to pay to the Trustee (as assignee of the Authority) the Rental Payments for the use and occupancy of the Leased Property, which payments are scheduled in both time and amount to provide sufficient funds to pay, when due, the principal of and interest on the Bonds. The Town has the right to incur other obligations payable from its general revenues without the consent of the Owners of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rental Payments."

Pledge of Transient Occupancy Tax Revenues. So long as it has use and occupancy of the Leased Property, the Town is obligated to make the Rental Payments under the Facilities Lease from any source of available funds, including all of its transient occupancy tax revenues. To provide further security to the Owners of the Bonds against other general creditors of the Town, the Town pledges to the Authority one-sixth of the transient occupancy taxes collected by the Town in each Fiscal Year, up to a maximum of the amount of the Rental Payments and the Additional Payments due in that Fiscal Year.

Covenant to Budget and Appropriate. The Town covenants under the Facilities Lease to take such action as may be necessary to include all Rental Payments and Additional Payments in its annual budgets, to make the necessary annual appropriations therefor and provide a certificate to the Trustee within 30 days following adoption of the budget certifying that such budget contains the necessary appropriation. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Essentiality. The Town represents and warrants in the Facilities Lease that the Leased Property is essential to the fulfillment of its governmental purposes and that the Leased Property will only be used for the purpose of performing one or more governmental functions of the Town consistent with the permissible scope of the authority of the Town. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leased Property.”

Right of Substitution. Pursuant to the Facilities Lease, the Town and the Authority may substitute other properties for the Leased Property or portions thereof upon meeting certain conditions. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE.”

Abatement of Rental Payments. If the Project is not completed by January 31, 2010, the rent payable under the Facilities Lease for the Leased Property will be abated in the proportion that the construction costs of the parts of the Project not yet delivered bears to the construction cost of the entire Project. Rental Payments have been funded from Bond proceeds through January 31, 2010. If completion of the Project is delayed substantially beyond that date, after depletion of the Reserve Fund and liquidated damages from the construction contractor, there could be insufficient funds to make payments to Owners in full.

In addition, the obligation of the Town to make Rental Payments under the Facilities Lease is subject to partial or complete abatement during any period in which, by reason of material damage, destruction, theft or condemnation of the Leased Property or any portion thereof, or defects in the Town’s title to the Leased Property, there is substantial interference with the use and occupancy by the Town of the Leased Property or any portion thereof. See “CERTAIN RISK FACTORS” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Abatement.” Abatement of Rental Payments under the Facilities Lease could result in Owners receiving less than the full amount of principal and interest on the Bonds, except to the extent proceeds of insurance (including rental interruption insurance) or condemnation awards, capitalized interest, or moneys in the Reserve Fund (as defined herein) are available to make payments of principal of or interest on the Bonds (or the relevant portion thereof) during periods of abatement of Rental Payments.

The Town may elect to use net insurance proceeds for repair, replacement or reconstruction of the Property or may apply such proceeds to the redemption of the Bonds. See APPENDIX B–“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE.”

Reserve Fund

The Trust Agreement establishes a Reserve Fund that is required to be funded in an amount equal to the Reserve Fund Requirement, which is, as of any date of calculation, an amount equal to the least of: (i) maximum annual debt service on all Bonds Outstanding, (ii) 125% of average annual debt service on all Bonds Outstanding, and (iii) 10% of the aggregate original principal amount of the Bonds. The Trust Agreement permits the Town to satisfy the Reserve Fund funding requirement by delivering a surety bond or letter of credit securing the amount of the Reserve Fund Requirement to the Trustee. On the date of delivery of the Bonds, proceeds in the amount of the Reserve Fund Requirement will be deposited in the Reserve Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund.”

Risk Factors

Certain events could affect the ability of the Town to pay debt service on the Bonds when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds and for a description of a proposed local initiative measure concerning lease financing by the Town that has qualified for the November 2008 ballot.

Continuing Disclosure

The Town has covenanted for the benefit of Owners and Beneficial Owners to provide certain financial information and operating data relating to the Town not later than March 31 of each calendar year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed with each Nationally Recognized Municipal Securities Repository and with any then existing State Repository (collectively, the “Repositories”). The notices of material events will be filed with the Repositories. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX D–“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Town has not previously entered into a continuing disclosure undertaking.

Availability of Documents

This Official Statement contains brief descriptions of, among other things, the Bonds, the security and sources of payment for the Bonds, the Trust Agreement, the Facilities Lease, the Site Lease, the Continuing Disclosure Certificate and certain other documents. Such descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in such documents. Copies of documents referred to herein and information concerning the Bonds are available upon written request from the Finance Director of the Town, Town Hall, 6550 Yount Street, Yountville, California 94599; telephone: 707-944-8851. The Town may impose a charge for copying, mailing and handling.

THE YOUNTVILLE TOWN CENTER PROJECT

The proceeds of the Bonds will be used to pay the costs of the Yountville Town Center project, which consists of the construction of a new 7,500-square-foot Community Center and Library building, the remodeling of the existing Community Hall, the construction of a new sheriff’s substation, and the construction and landscaping of a new 7,000-square foot Town Square. The buildings to be constructed or remodeled as part of the project are those that are leased under the Facilities Lease.

On May 20, the Town Council voted to award the construction contract for the Project to Swank Construction, Inc., of Vacaville, California, at a base price of \$9,211,600. The total construction budget for the Project is \$11,197,600, the elements of which are listed in the table below:

Yountville Town Center Project Budget

Expenditure	Budgeted Amount
Construction, contract amount	\$9,211,600
Town's construction cost	48,000
Construction contingency	750,000
Construction management	820,000
Utilities and permits	168,000
Furnishings, fixtures and equipment	<u>200,000</u>
Total	\$11,197,600

The Town has hired Pound Management as its construction manager for the Project. The Town has obtained all permits necessary for construction to commence. The Town expects that construction will commence in August 2008 and will be completed within fourteen months. The construction contract includes provisions for the payment of liquidated damages if the Project is not completed as scheduled.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds and the Project:

Sources of Funds:

Principal Amount of the Bonds	\$10,710,000.00
Less: Original Issue Discount.....	(74,499.90)
Town Equity Contribution.....	<u>2,230,021.49</u>
TOTAL SOURCES	\$12,865,521.59

Uses of Funds:

Project Costs.....	\$11,197,600.00
Capitalized Interest ⁽¹⁾	756,985.33
Reserve Fund.....	668,998.76
Costs of Issuance ⁽²⁾	175,000.00
Underwriter's Discount	<u>66,937.50</u>
TOTAL USES	\$12,865,521.59

- (1) Represents interest on the Bonds through January 31, 2010.
 (2) Includes fees of Bond Counsel, the Financial Advisor, printing costs and other miscellaneous costs of issuance.

THE BONDS

Description

The Bonds are limited obligations of the Authority payable solely from Revenues, consisting primarily of Rental Payments to be made by the Town to the Authority under the Facilities Lease.

The Bonds will be issued in fully registered form, in denominations of \$5,000 each or any integral multiple thereof within a single maturity. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Bonds.

So long as the Bonds are registered in the name of the nominee, payment of principal of, premium, if any, and interest on the Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX E-“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The Bonds will be dated the date of delivery, and will mature on the dates and in the principal amounts and will bear interest at the rates per annum set forth on the inside cover page of the Official Statement. Interest on the Bonds will be payable on April 1 and October 1 each year (each an “Interest Payment Date”), commencing April 1, 2009. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption Provisions

Optional Redemption. The Bonds are subject to redemption prior to their respective stated maturities at the option of the Authority at the direction of the Town, from moneys deposited by the Authority or the Town from any source of available funds, as a whole or in part (in such maturities specified by the Town and by lot within a maturity), on any date on or after October 1, 2018, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The 4.75% Term Bonds maturing on October 1, 2033, are subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity, at a redemption price equal to the principal amount of plus accrued and unpaid interest on the Bonds to the date fixed for redemption, without premium, on October 1 in the years and in the amounts specified below:

2033 Term Bonds – 4.75% Coupon

Year (October 1)	<u>Amount</u>
2029	\$285,000
2030	300,000
2031	315,000
2032	335,000
2033†	350,000

† Stated Maturity.

The 5.00% Term Bonds maturing on October 1, 2033, are subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity, at a redemption price equal to the principal amount of plus accrued and unpaid interest on the Bonds to the date fixed for redemption, without premium, on October 1 in the years and in the amounts specified below:

2033 Term Bonds – 5.00% Coupon

Year (October 1)	<u>Amount</u>
2029	\$115,000
2030	120,000
2031	125,000
2032	130,000
2033†	135,000

† Stated Maturity.

The Term Bonds maturing on October 1, 2039, are subject to mandatory sinking fund redemption in part, by lot, prior to their stated maturity, at a redemption price equal to the principal amount of plus accrued and unpaid interest on the Bonds to the date fixed for redemption, without premium, on October 1 in the years and in the amounts specified below:

2039 Term Bonds

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>
2034	\$510,000
2035	535,000
2036	560,000
2037	590,000
2038	620,000
2039†	650,000

† Stated Maturity.

Extraordinary Redemption-Casualty Loss, Material Title Defect or Government Taking. The Bonds are subject to redemption prior to their respective stated maturities, as a whole or in part on any date (in the maturities specified by the Town and by lot within a maturity), on any Interest Payment Date from prepaid Rental Payments made by the Town from funds received by the Town due to a casualty loss, material title defect or government taking of the Leased Property or portions thereof, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest on the Bonds to the date fixed for redemption, without premium. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE – PREPAYMENTS–CASUALTY/CONDEMNATION.”

Notice of Redemption. When redemption is required, the Trustee shall give notice (the “Redemption Notice”), at the expense of the Town, of the redemption of the Bonds. Such Redemption Notice shall specify: (i) the Bonds or designated portions thereof which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of the Trustee, (iv) the redemption price, (v) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (vi) if less than all Bonds within a series are to be redeemed, the Bond numbers of the Bonds to be redeemed, and (vii) the original issue date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The notice shall also state that one or more new Bonds shall be issued of the same maturity date and of authorized denominations, equal in aggregate principal amount to the unredeemed portion of any Bond redeemed only in part.

The notice shall be mailed by first class mail to each registered owner at the address appearing on the records of the Trustee not less than 30 nor more than 60 days before the redemption date.

Failure to receive any Redemption Notice shall not affect the sufficiency or validity of the redemption or the cessation of interest as of the redemption date. Neither the Town nor the Trustee shall have responsibility for a defect in the CUSIP number appearing on a Bond or in the Redemption Notice.

So long as Cede & Co., as nominee of DTC, continues to be the registered owner of the Bonds, any notices of redemption will be given only to Cede & Co., as nominee of DTC, and not to DTC, DTC Participants or Beneficial Owners. See APPENDIX E–“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Selection of Bonds for Redemption. If less than all of the Bonds are to be redeemed at any one time, the Town will select the maturities of the Bonds to be redeemed in its sole and absolute discretion.

Right to Rescind. The Authority shall have the right to rescind any optional redemption or redemption from funds received by the Authority or the Town due to a casualty loss or a governmental taking, by written notice to the Trustee on or prior to the date fixed for redemption. The Authority shall rescind any notice of redemption, other than a notice of redemption given in connection with a mandatory sinking account redemption, if for any reason funds are not (or will not be) available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such rescission shall not constitute an Event of Default. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Effect of Redemption. If notice of redemption is given as provided in the Trust Agreement and the amount necessary for the payment of the redemption price is held by the Trustee, then the Bonds, or portion thereof, designated for redemption shall become due and payable at the redemption prices thereof and interest thereon shall cease to accrue.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements for the Bonds in each Fiscal Year. (Note: Interest on the Bonds through January 31, 2010, is funded from Bond proceeds.)

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009		\$341,819.70	\$341,819.70
2010		498,198.76	498,198.76
2011	\$175,000	493,823.76	668,823.76
2012	180,000	484,948.76	664,948.76
2013	190,000	476,648.76	666,648.76
2014	200,000	468,848.76	668,848.76
2015	205,000	459,723.76	664,723.76
2016	215,000	450,298.76	665,298.76
2017	225,000	441,498.76	666,498.76
2018	235,000	431,123.76	666,123.76
2019	250,000	418,998.76	668,998.76
2020	260,000	407,548.76	667,548.76
2021	270,000	396,948.76	666,948.76
2022	280,000	385,773.76	665,773.76
2023	295,000	373,803.76	668,803.76
2024	305,000	361,127.51	666,127.51
2025	320,000	347,646.26	667,646.26
2026	335,000	333,108.76	668,108.76
2027	350,000	317,696.26	667,696.26
2028	365,000	301,426.26	666,426.26
2029	380,000	284,243.76	664,243.76
2030	400,000	265,812.51	665,812.51
2031	420,000	246,043.76	666,043.76
2032	440,000	225,312.51	665,312.51
2033	465,000	203,500.01	668,500.01
2034	485,000	180,606.26	665,606.26
2035	510,000	156,487.51	666,487.51
2036	535,000	131,015.63	666,015.63
2037	560,000	104,325.00	664,325.00
2038	590,000	76,293.75	666,293.75
2039	620,000	46,800.00	666,800.00
2040	650,000	15,843.75	665,843.75

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations; Pledge of Revenues

The Bonds are limited obligations of the Authority payable solely from the Revenues and other assets pledged under the Trust Agreement. The term "Revenues" is defined in the Trust Agreement to mean all Rental Payments paid by the Town and received by the Authority pursuant to the Facilities Lease and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established under the Trust Agreement.

The Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or the Town or any of their income or receipts, except the Authority's pledge of the Revenues and funds held under the Trust Agreement and the Town's pledge of a portion of its transient occupancy taxes, as described herein. So long as it has use and occupancy of the Leased Property, the Town is obligated to make the Rental Payments under the Facilities Lease from any source of available funds, including all of its transient occupancy tax revenues.

Neither the faith and credit nor the general taxing power of the Town, the State of California, or any political subdivision thereof is pledged to the payment of the Bonds. Neither the payment of the principal of or interest on the Bonds nor the obligation to make rental payments under the Facilities Lease constitutes a debt, liability or obligation of the Authority or the Town for which either entity is obligated to levy or pledge any form of taxation or for which either entity has levied or pledged any form of taxation, other than a portion of the Town's transient occupancy taxes. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

Facilities Lease; Assignment of Rights

As rental for the use and occupancy of the Leased Property under the Facilities Lease, the Town covenants to pay Rental Payments to the Trustee (as assignee of the Authority). The Rental Payments, which are subject to abatement, are calculated to be sufficient to pay principal of and interest on the Bonds when due. See "- Abatement" below.

In the Trust Agreement, the Authority assigns to the Trustee for the benefit of the Owners of Bonds all right, title, and interest of the Authority in the Rental Payments and in the Site Lease and the Facilities Lease, except for its rights to receive certain fees, expenses, and indemnification. The Trust Agreement does not provide for the issuance of any additional series of bonds secured by the Rental Payments.

In the opinion of Bond Counsel, based on existing statutes and court decisions, the Facilities Lease is enforceable against the Town, subject to bankruptcy and similar laws affecting the enforcement of creditors' rights generally. See APPENDIX C – "PROPOSED FORM OF BOND COUNSEL OPINION." Bond Counsel is of the opinion that the retroactive application of a local initiative measure that has qualified for the November 2008 ballot to the Facilities Lease would be void as an unconstitutional impairment of the Town's contractual obligations. See "CERTAIN RISK FACTORS – Proposed Initiative Measure."

Rental Payments

Rental Payments are calculated on an annual basis for 12-month periods commencing on October 2 and ending on October 1, and each annual Rental Payment will be divided into two installments, an interest installment due on March 15 and a principal and interest installment due September 15 (each a "Rental Payment Date"), continuing to and including the date of termination of the Facilities Lease. Each annual Rental Payment (to be payable in installments as aforesaid) will be for the use of the Facilities for the twelve-month period commencing on October 2 of the period in which such installments are payable (except the first rental period which commences on the date of delivery of the Bonds). Interest on the Bonds through January 31, 2010, will be funded from Bond proceeds (capitalized interest), which will satisfy the Town's Rental Payment obligations through that date.

The Trust Agreement requires that Rental Payments be deposited in the Revenue Fund maintained by the Trustee. In accordance with the Trust Agreement, the Trustee will transfer such amounts as are necessary to the Interest Fund or the Principal Fund, as the case may be, to pay principal

of and interest on the Bonds as the same become due and payable. On each Principal Payment Date, following the payment of principal of and interest on the Bonds, any excess amount in the Revenue Fund will be transferred to the Reserve Fund, to the extent that the amount therein is less than the Reserve Fund Requirement, and then to the Rebate Fund, as necessary, and thereafter to the Town. See “- Deposit of Revenues; Funds and Accounts” below.

Deposit of Revenues; Funds and Accounts

The Trustee is required under the Trust Agreement to deposit the Rental Payments as received into the Revenue Fund. All moneys in the Revenue Fund are held in trust for the benefit of the Owners and will be disbursed, allocated, and applied solely for the uses and purposes set forth in the Trust Agreement.

Allocation of Rental Payments. So long as any Bonds are Outstanding, the Trustee will allocate the moneys in the Revenue Fund in the following respective funds or accounts (each of which is established, maintained and held in trust for the benefit of the Owners of the Bonds) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority:

- First:* Interest Fund
- Second:* Principal Fund; Sinking Accounts
- Third:* Redemption Fund
- Fourth:* Reserve Fund

Interest Fund. On each Interest Payment Date, commencing April 1, 2009, the Trustee will aside in the Interest Fund an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest due and payable on such Interest Payment Date upon all of the Bonds then Outstanding (but excluding any moneys on deposit in the Interest Fund from the proceeds of the Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

All money in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Fund; Sinking Accounts. On each Principal Payment Date, commencing October 1, 2010, the Trustee will deposit in the Principal Fund an amount equal to (i) the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds and (ii) the aggregate principal amount of Bonds to be redeemed on such date from the respective Sinking Accounts for the Term Bonds.

No deposit need be made into the Principal Fund so long as there is in such fund moneys sufficient to pay the principal of all Serial Bonds then Outstanding and maturing by their terms on such Principal Payment Date *plus* the aggregate principal amount of all Term Bonds required to be redeemed on such Principal Payment Date, but less any amounts deposited into the Principal Fund during the preceding 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period.

All amounts in the Principal Fund will be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Accounts will be used and withdrawn by the Trustee solely to purchase or redeem or pay Bonds at maturity, as provided in the Trust Agreement.

Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding will be withdrawn by the Trustee and transferred to the Town to be used for any lawful purpose.

Redemption Fund. On the date specified in a Written Request of the Town filed with the Trustee, at the time that any prepaid Rental Payment is paid to the Trustee, the Trustee will deposit in the Redemption Fund that amount of moneys representing the portion of the Rental Payments designated as prepaid Rental Payments. Except as provided in the Trust Agreement, moneys in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest and the redemption premiums, if any, on and principal of the Bonds to be redeemed.

All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner, at the times and upon the terms and conditions specified in the Trust Agreement.

Reserve Fund. If the Reserve Fund has been drawn upon as a result of a delinquency in the payment of Rental Payments, the Trustee will transfer the delinquent Rental Payments thereafter received to the Reserve Fund to replenish the amount therein to the Reserve Fund Requirement.

Surplus Amounts. Any moneys remaining in the Revenue Fund after the transfers described above will be deposited, in order of priority: (i) into the Reserve Fund to the extent that the amount therein is less than the Reserve Fund Requirement, and (ii) into the Rebate Fund if so directed by the Authority. Amounts not required to be so deposited will be transferred on the same Business Day to the Town, except that any amounts representing delinquent Rental Payments and any proceeds of rental abatement insurance shall remain on deposit in the Revenue Fund. The Town may use and apply any moneys when received by it for any lawful purpose of the Town, including the redemption of Bonds upon the terms and conditions set forth herein and the purchase of Bonds as and when and at such prices as it may determine.

Reserve Fund

General. Under the Trust Agreement, a Reserve Fund is established and held by the Trustee and pledged to payment of the Bonds in the amount of the Reserve Fund Requirement. The term “Reserve Fund Requirement” means, as of any date of calculation, an amount equal to the least of (i) maximum annual debt service on all Bonds Outstanding, (ii) 125% of average annual debt service on all Bonds Outstanding, and (iii) 10% of the original principal amount of the Bonds. On the date of delivery of the Bonds the Reserve Fund Requirement will be \$668,998.76.

The Reserve Fund Requirement may be satisfied at any time with the delivery of a letter of credit, insurance policy, surety bond or other credit source to the Trustee meeting the requirements of a “Reserve Facility.” On the date of delivery of the Bonds, proceeds in the amount of the Reserve Fund Requirement will be deposited in the Reserve Fund. See APPENDIX B–“SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – TRUST AGREEMENT – Reserve Facilities.”

Replenishment of Reserve Fund. The Trustee will deposit in the Reserve Fund (from amounts received as Additional Payments due to Reserve Fund valuation deficiencies or for Reserve Fund

replenishment, as described in the Facilities Lease) as soon as possible in each month, except as otherwise provided in the Trust Agreement, upon the occurrence of any deficiency therein, 1/12th of the aggregate amount of each unreplenished prior withdrawal from the Reserve Fund and 1/4 of the aggregate amount of any deficiency due to any required valuations of the investments in the Reserve Fund until the total of the cash balance in the Reserve Fund and the amount available under any Reserve Facility is at least equal to the Reserve Fund Requirement.

Use of Amounts in the Reserve Fund. All amounts in the Reserve Fund (including all amounts that may be obtained from Reserve Facilities on deposit in the Reserve Fund) shall be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Fund or the Principal Fund, or for the payment of the final principal and interest payment with respect to the Bonds if following such payment the amounts in the Reserve Fund (including the amounts that may be obtained from Reserve Facilities on deposit therein) will equal the Reserve Fund Requirement. In such event, the Trustee shall first draw on the portion of the Reserve Fund held in cash or Permitted Investments and then, on a pro rata basis with respect to amounts held in the form of Reserve Facilities (calculated by reference to the maximum amounts of such Reserve Facilities), draw on or collect under each Reserve Facility issued with respect to the Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the principal and interest represented by the Bonds when due.

Transfer of Excess Amounts. Any amounts in the Reserve Fund in excess of the Reserve Fund Requirement (as calculated by the Town) will be transferred by the Trustee to the Town on the last Business Day of April and October of each year; provided that such amounts will be transferred only from the portion of the Reserve Fund held in the form of cash or Permitted Investments and further provided that the Town is not then in default under the Facilities Lease.

Covenant to Budget and Appropriate

Budget and Appropriate. The Town covenants in the Facilities Lease to include all Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. The Authority will pledge the Rental Payments to the Trustee for the benefit of the Owners of the Bonds. By the 15th day of the month immediately preceding each Interest Payment Date, the Town must pay to the Trustee Rental Payments (to the extent required under the Facilities Lease) that will be sufficient to pay, when due, the scheduled principal of and interest on the Bonds. Rental Payments are not subject to acceleration.

Under the Facilities Lease, the Town agrees to pay Additional Payments for the payment of all expenses and all costs of the Authority and the Trustee related to the Project, including expenses of the Trustee payable by the Authority under the Trust Agreement, and fees of accountants, attorneys and consultants. The Town is responsible for repair and maintenance of the Leased Property during the term of the Facilities Lease.

The obligation of the Town under the Facilities Lease to appropriate funds to pay Rental Payments and Additional Payments is not limited to any particular source of funds; and the Town shall pay the Rental Payments and Additional Payments due thereunder from any lawfully available funds of the Town including, without limitation, amounts available from the Town's General Fund.

Pledge of Transient Occupancy Tax Revenues

To provide further security to the Owners of the Bonds against other general creditors of the Town, in the Facilities Lease, the Town irrevocably pledges to the Authority one-sixth of the transient

occupancy taxes collected by the Town in each Fiscal Year, up to a maximum of the amount of the Rental Payments and the Additional Payments due in such Fiscal Year. Nonetheless, so long as it has use and occupancy of the Leased Property, the Town is obligated to make the Rental Payments under the Facilities Lease from any source of available funds, including all of its transient occupancy tax revenues. See “TOWN FINANCIAL INFORMATION – Transient Occupancy Taxes.”

Abatement

The Rental Payments will be abated proportionately during any period in which by reason of any damage to or destruction of the Leased Property, there is substantial interference with the use and occupancy of the Leased Property by the Town, in the proportion in which the cost of that portion of the Leased Property rendered unusable bears to the cost of the whole of the Leased Property. During any such period of abatement, except to the extent that amounts held by the Trustee in the Revenue Fund, the Capitalized Interest Account, or the Reserve Fund are otherwise available to pay the Bonds, Revenues will not be available to pay the Bonds. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Lease will continue in full force and effect and the Town waives any right to terminate the Facilities Lease by virtue of any such damage or destruction.

The Project is expected to be completed by October 31, 2009, at which point the Town will have full use and occupancy of the Leased Property. If the Authority, for any reason whatsoever, cannot deliver possession of the Leased Property or any part thereof to the Town by January 31, 2010, the Facilities Lease will continue in full force and effect; but in that event the rent payable under the Facilities Lease shall be abated in the proportion that the construction costs of the parts of the Project not yet delivered bears to the construction cost of the entire Project, as described above. See “CERTAIN RISK FACTORS – Abatement of Rental Payments.”

The Leased Property

The Leased Property consists of the current 4,800-square-foot Yountville Community Hall building and the new 7,500-square-foot Community Center/Library and the new Town Square to be constructed adjacent thereto, all located at the intersection of Washington Street and Yount Street in Yountville. The Town represents and warrants in the Facilities Lease that the Leased Property is essential to the fulfillment of its governmental purposes and that it will only be used for performing governmental functions consistent with the scope and authority of the Town. The Leased Property comprises approximately 2.2 acres. The Leased Property, upon completion of construction of the Project, will have a value of at least the construction cost of the Project, \$11,197,600, plus the current estimated value of the existing Community Hall and the land on which the Town Center is located, \$3,100,000.

Substitution of Property

The Town may substitute alternate property for any property that constitutes all or any portion of the Leased Property for purposes of the Site Lease and the Facilities Lease, but only after the Town shall have filed with the Trustee with copies to each rating agency then providing a rating for the Bonds, all of the following:

- (i) Executed copies of the amended Site Lease and Facilities Lease containing the amended description of the Leased Property;
- (ii) A Certificate of the Town stating that the amended Site Lease and Facilities Lease, or memoranda thereof, have been duly recorded in the official records of the County of Napa;

(iii) An MAI fair market appraisal demonstrating that the value of the substituted property is at least equal to the property being released;

(iv) A California Land Title Association leasehold policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies in an amount or amounts such that the amount of title insurance coverage with respect to the Leased Property after the substitution is at least equal to the amount of such insurance with respect to the Leased Property prior to the substitution;

(v) A Certificate of the Town certifying to the Trustee that the substituted real property has similar or greater essentiality of use than the portion of the Leased Property being substituted equivalent or greater useful life than the period remaining until the last maturity of the Bonds;

(vi) A Certificate of the Town certifying that the property that will constitute the Leased Property after the substitution is not subject to any liens securing monetary obligations (other than Permitted Encumbrances), unless such liens are subordinate to the interests of the Authority created by this Facilities Lease;

(vii) An Opinion of Counsel to the effect that the amendments to the Site Lease and this Facilities Lease that implement the substitution (1) are authorized or permitted by and comply with the Constitution and laws of the State of California and the Trust Agreement; and (2) upon execution and delivery will be valid obligations of the Town and the Authority; and that (3) such substitution will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(viii) A Certificate of the Town to the effect that the substituted real property is not subject to any liens or encumbrances, except for Permitted Encumbrances; and

(ix) Evidence of delivery of written notice of the proposed substitution to each Rating Agency then rating the Bonds.

Insurance

Casualty Insurance. The Facilities Lease requires the Town procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Lease, insurance against loss or damage to the Leased Property and any structures constituting any part of the Leased Property by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance. The extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, flood and such other hazards as are normally covered by such insurance. The insurance may be maintained as part of or in conjunction with any other insurance maintained by the Town. Full payment of the proceeds of such insurance up to the policy limit shall not be contingent on the degree of damage sustained at other Leased Property owned or leased by the Town, provided, however, that such insurance may be subject to a limit of \$100,000,000 per occurrence for fire and extended coverage insurance.

Such insurance will be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$5,000 for fire and extended coverage and \$10,000 for public liability and property damage), or, in the alternative, will be in an amount and in a form sufficient (together with moneys in the Reserve Fund), in the event of total or partial loss, to enable all Bonds then Outstanding to be redeemed. Such policy is required to explicitly waive any co-insurance policy.

As an alternative to providing the fire and extended coverage insurance, or any portion thereof, required by the Facilities Lease, the Town may adopt an alternative risk management program, including, without limitation, (i) a self-insurance method or plan of protection, (ii) a program involving captive insurance companies, (iii) participation in state or federal insurance programs, (iv) participation with other public agencies in mutual or other cooperative insurance or other risk management programs, including those made available through joint exercise of powers agencies, or (v) establishment or participation in other alternative risk management programs; if and to the extent such alternative risk management program shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability, and similar plans or methods of protection adopted by public entities in the State of California other than the Town. So long as such method or plan is being provided to satisfy the requirements of the Facilities Lease, there will be filed with the Trustee a statement of an actuary, insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Lease and, when effective, would afford reasonable coverage for the risks required to be insured against. There will also be filed a certificate of the Town setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the Town under the Facilities Lease will be limited to the amounts in the self-insurance reserve fund or funds created under such method.

Rental Abatement. The Facilities Lease also requires the Town to maintain or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facilities as the result of any of the hazards covered by the fire and extended coverage insurance required by the Facilities Lease described in the preceding paragraphs, in an amount sufficient to pay Rental Payments during the two-year period in which the total Rental Payments are the greatest. Any proceeds of such insurance will be used by the Trustee to reimburse to the Town any rental theretofore paid by the Town under the Facilities Lease attributable to such structure for a period of time during which the payment of rental under the Facilities Lease is abated, and any proceeds of such insurance not so used will be applied to pay Rental Payments and Additional Payments. The Town may self insure against abatement-risk provided that funds equal to the full required amount are set aside in a separate trust fund held by an independent trustee.

Workers' Compensation Insurance. The Town is required to maintain workers' compensation insurance covering all employees working at the Leased Property in the amounts as required by law. Such insurance may be maintained by the Town as part of or in conjunction with any other insurance maintained by the Town. As an alternative to providing this insurance, the Town may file a resolution with the State Department of Industrial Relations, Division of Self-Insurance Plans, declaring the Town to be legally self-insured against workers' compensation claims and may maintain that status; provided that the Town annually employ an actuary to review the Town's workers' compensation claims experience and project future claims exposure.

Title Insurance. The Town is required to provide a California Land Title Association leasehold title policy, subject only to Permitted Encumbrances, as defined in the Facilities Lease, issued by a company of recognized standing duly authorized to issue the same with respect to the Leased Property in an amount equal to the principal amount of the Bonds. Such title insurance policy is required to be payable to the Trustee for the use and benefit of the Owners of the Bonds. The Town agrees to deliver to the Trustee all proceeds received by the Town pursuant to any policy of title insurance with respect to the Leased Property under which the Town is beneficiary. All proceeds received by the Trustee under such title insurance policies will be applied and disbursed by the Trustee in the same order and priority and for the same purposes as provided in the Facilities Lease relating to proceeds received in eminent domain proceedings.

Public Liability and Property Damage. The Town is also required to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Lease, a standard comprehensive general liability insurance policy or policies insuring against all direct or contingent loss or liability for damages for personal injury, death, or property damage, occasioned by reason of the operation of the Leased Property. This insurance may be maintained as part of or in conjunction with any other insurance maintained by the Town.

Application of Net Proceeds. In the event of any damage to or destruction of any part of the Leased Property caused by the perils covered by such insurance, the Authority, except as hereinafter described, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, to at least the same condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee will hold such proceeds separate and apart from all other funds in a fund or account established by the Trustee with such proceeds invested as specified in the Trust Agreement. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Rental Payments attributable to the portion of the Facilities so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Facilities bears to the cost of the Facilities), the Town, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Trust Agreement.

The Town covenants to promptly apply for federal or State disaster aid in the event that the Facilities are damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facilities, or, at the option of the Town, to redeem Outstanding Bonds if such use of such disaster aid is permitted.

Eminent Domain

If the whole of the Leased Property, or so much thereof as to render the remainder unusable, is taken under power of eminent domain, the term of the Facilities Lease will cease as of the day possession is so taken. If less than the whole of the Leased Property is taken by eminent domain, there will be a partial abatement of the rental due under the Facilities Lease in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds.

Default; No Acceleration

If the Town defaults under the Facilities Lease, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Lease. In the event of default, the Trustee may (i) terminate the Facilities Lease and lease the Leased Property to another tenant or (ii) maintain the Facilities Lease in effect, lease the Leased Property to another tenant, and collect from the Town the difference between the new tenant's payments and the Rental Payments. Unpaid Rental Payments are not subject to acceleration. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—FACILITIES LEASE." See "CERTAIN RISK FACTORS—LIMITATIONS ON EXERCISE OF REMEDIES" for a discussion on the limitations on the Trustee's ability to exercise certain remedies if the Town defaults under the Facilities Lease.

TOWN OF YOUNTVILLE

General Description

Yountville is located on State Highway 29 in the southern Napa Valley, approximately sixty miles north of San Francisco. The Napa Valley attracts many visitors each year because of its internationally-renowned wineries, restaurants and lodgings. The Town's economy is based primarily on tourism. About 62% of the Town's general fund revenues come from the local hotel tax, and another 13% of general fund revenues come from sales taxes.

Municipal Government

The Town was incorporated February 4, 1965, and operates as a general law city under the council-manager form of government. Policy-making and legislative authority are vested in the Town Council consisting of a Mayor and four other elected Council members. The Council is responsible for, among other matters, passing ordinances, adopting the Town budget, appointing committees, and hiring the Town Manager and Town Attorney. The Council is elected on a non-partisan basis. Council members serve four-staggered terms, with two members elected every two years. The mayor is elected to serve a four-year term. The members of the Town Council also serve as the Board of Directors for the Yountville Finance Authority.

The Town Manager is responsible for daily administration of Town affairs and preparation and submission of the annual budget under the direction of the Mayor and Town Council.

Members of the Council and key administrative personnel of the Town are listed at the front of this Official Statement.

The Town provides a full range of municipal services, including public safety (police and fire protection) through contracts with Napa County; construction and maintenance of Town streets, storm drains, bridges and other infrastructure; park maintenance; community recreation activities, including day camps, a summer pool, and other programs; and water and wastewater services. As of January 1, 2008, the Town had a staff of 24 full-time-equivalent employees. The Town is in the final year of a three-year agreement (ending June 30, 2009) with the Yountville Employee Association, which is the recognized bargaining unit for Town employees.

Population

The following table shows the population of the Town, Napa County, and the State of California from 2001 through 2008, as of January 1 in each year.

TOWN, COUNTY AND STATE POPULATION (As of January 1)

<u>Year</u>	<u>Town</u>	<u>Napa County</u>	<u>State</u>
2001	3,275	125,913	34,430,970
2002	3,293	127,892	35,063,959
2003	3,280	129,780	35,652,700
2004	3,258	131,228	36,199,342
2005	3,240	132,328	36,675,346
2006	3,247	133,493	37,114,598
2007	3,272	134,844	37,559,440
2008	3,263	136,704	38,049,462

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2008, with 2000 Benchmark.

Industry and Employment

Agriculture, tourism, and government have historically been the major sectors of employment in the Town. The major employers in the Town, their products or services, and the approximate number of their respective full-time employees as of June 30, 2007, are listed in the following table:

PRINCIPAL EMPLOYERS Town of Yountville As of June 30, 2007⁽¹⁾

<u>Employer</u>	<u>Product/Service</u>	<u>Employees(range)</u>
Veterans Home of California	Retirement home	500-999
Vintage Estate Properties	Hotels, spa, retail	250-299
French Laundry, Bouchon, Ad-hoc	Restaurants	100-249
Adventist Retirement Home	Retirement home	25-49
Yountville Inn	Lodging	25-49
Napa Valley Lodge	Lodging	25-49
Napa Valley Grille	Restaurant	25-49
Redd Restaurant	Restaurant	25-49
Hurley's Restaurant & Bar	Restaurant	25-49
Bistro Jeanty	Restaurant	25-49
Pacific Blues	Restaurant	25-49
Town of Yountville	Municipal government	10-24
Napa Valley Unified School District	Elementary school	10-24

(1) Most recent data available.
Source: Town of Yountville.

The following table summarizes employment by industry of workers in Napa County in Calendar Years 2003 through 2007. The figures presented are estimates developed based on data collected directly from employers in the Current Employment Survey.

EMPLOYMENT BY INDUSTRY*
Napa County

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u> ⁽⁴⁾
Agriculture	4,900	4,700	4,600	4,700	5,100
Natural resources, mining, construction	4,300	4,600	4,500	5,100	4,500
Manufacturing:					
Durable goods (including wood products)	2,200	2,200	2,400	2,400	2,500
Non-Durable goods	8,300	8,600	8,900	9,100	9,200
Transportation, warehousing, and public utilities	1,500	1,400	1,300	1,400	1,600
Wholesale trade	1,300	1,400	1,400	1,500	1,700
Retail trade	6,200	6,200	6,200	6,100	6,100
Information	800	700	700	700	700
Finance, insurance and real estate	2,700	2,500	2,700	2,800	2,600
Professional and business services ⁽¹⁾	5,400	5,500	5,400	5,700	6,000
Education, health services and social assistance	7,800	7,900	7,800	7,700	7,800
Leisure and hospitality services ⁽²⁾	8,400	8,500	8,500	8,500	9,100
Other Services ⁽³⁾	1,800	1,800	1,800	1,700	1,700
Government:					
Federal	400	400	400	400	400
State	3,400	3,400	3,400	3,500	3,500
Local and education	<u>5,900</u>	<u>6,000</u>	<u>6,200</u>	<u>6,100</u>	<u>6,300</u>
Total	65,300	65,800	66,200	67,400	68,800

* Employment reported by place of work. Items may not add to totals due to independent rounding.

(1) Includes professional, scientific, technical, administrative and waste services.

(2) Includes hotels and other lodging, arts, entertainment, recreation, food service and drinking places.

(3) Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes.

(4) As of December 2007.

Source: State of California, Employment Development Department, Labor Market Information Division.

Commerce

The following table shows taxable transactions in the Town for calendar years 2001 to 2006 (the latest year for which information is available).

TAXABLE TRANSACTIONS Town of Yountville For Calendar Years 2001 through 2006 ⁽¹⁾

<u>Year</u>	<u>Number of Outlets</u>	<u>Taxable Transactions (In Thousands)</u>	<u>Taxable Transactions Percentage Increase/(Decrease)</u>
2001	130	\$40,459	--
2002	122	38,585	(4.6)%
2003	131	39,868	3.3
2004	124	39,101	(1.9)
2005	122	46,461	18.8
2006	129	54,015	16.3

(1) Latest available annual data.

Source: California State Board of Equalization.

The following table sets forth a breakdown of taxable sales by type of business for the County of Napa for calendar years 2005 and 2006. The California State Board of Equalization does not produce separate data for the Town of Yountville.

TAXABLE TRANSACTIONS BY TYPE OF BUSINESS County of Napa for Calendar Years 2005 and 2006 ⁽¹⁾ (In thousands of dollars)

<u>Business Type</u>	<u>Number of Outlets</u>		<u>Taxable Transactions</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Apparel Stores	131	127	\$ 74,508	\$ 76,519
General Merchandise Stores	56	53	155,643	158,352
Specialty Stores	704	688	156,786	167,040
Food Stores	95	92	113,378	114,296
Eating and Drinking Places	311	310	241,810	263,919
Home Furnishings, Appliances	136	133	42,883	41,812
Building Material	52	54	230,475	225,657
Auto Dealers/Auto Supplies/Service Stations	90	89	255,389	279,012
Other Retail Stores	<u>251</u>	<u>254</u>	<u>113,501</u>	<u>128,418</u>
Retail Stores Total	1,826	1,800	1,384,373	1,455,025
Business and Personal Services	503	491	98,019	113,498
All Other Outlets	<u>2,462</u>	<u>2,553</u>	<u>837,654</u>	<u>870,384</u>
Totals All Outlets	<u>4,791</u>	<u>4,844</u>	<u>\$2,320,046</u>	<u>\$2,438,907</u>

(1) Latest available annual data.

Source: California State Board of Equalization- Taxable Sales in California.

Income

Personal income is the income that is received by persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with

inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The following table shows the total personal income for the County of Napa, State of California and the United States. The U. S. Department of Commerce does not produce separate data for the Town of Yountville.

TOTAL PERSONAL INCOME
Years 2001 through 2006
(In Thousands)

Calendar Year	County of Napa	State of California	United States
2001	\$4,805,753	\$1,135,304,060	\$8,716,992,000
2002	4,898,598	1,147,715,704	8,872,871,000
2003	5,056,206	1,187,040,144	9,157,257,000
2004	5,469,472	1,265,970,355	9,705,504,000
2005	5,902,504	1,348,255,191	10,224,761,000
2006	6,241,691	1,436,445,919	10,968,393,000

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Utilities

Water, storm drainage, and wastewater services are provided by enterprise operations owned and operated by the Town. Electricity and natural gas are provided by Pacific Gas and Electric Company (PG&E).

Education and Community Services

Public school education is provided by the Napa Valley Unified School District, through an elementary school located in Yountville and a middle school and a high school in Napa, and by the Napa Joint Community College District, through its Napa Valley College located in Napa.

The Town through its Public Works Department maintains six parks, several open space areas, tot-lots, and a public pathways and trail system in addition to the Community Pool and Community Hall facilities. The Town’s Community Services Department conducts several annual community based special events and provides a wide range of recreational, leisure, and educational programs serving the community’s youth to senior population. The Community Services Department also offers a year-round school-aged program supplemented by camp programs and operates a summer seasonal aquatic program.

TOWN FINANCIAL INFORMATION

General Fund Revenues and Expenditures

The General Fund is used to account for all financial transactions not restricted for specific uses by resolution, ordinance, or general laws and accounted for in another fund. The following table presents a summary of revenues, expenditures and fund balances of the Town’s General Fund for the past five fiscal years, as reported in the Town’s annual financial statements. Copies of the Town’s audited financial statements are available upon written request directed to: Finance Director, Town of Yountville, 6550 Yount Street, Yountville, California, 94599.

**GENERAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Five Fiscal Years Ended June 30,**

	2003	2004	2005	2006	2007
Revenues:					
Property taxes	\$ 310,141	\$ 355,403	\$ 293,179	\$ 348,717	\$ 425,896
Sales taxes	434,021	460,757	448,811	538,967	662,890
Transient occupancy taxes	2,090,711	2,411,098	2,842,489	3,053,759	3,231,799
Other taxes	57,849	69,013	66,746	81,499	92,982
Licenses and permits	19,635	23,013	29,714	65,054	111,288
Fines and forfeits	14,542	16,150	9,689	13,821	16,899
Intergovernmental	243,032	188,010	327,480	291,993	303,327
Interest and rents	32,066	16,172	26,541	32,024	70,219
Charges for services	149,063	117,408	128,226	173,302	172,551
Miscellaneous	52,094	10,855	8,005	22,744	27,864
Total revenues	<u>3,403,154</u>	<u>3,647,877</u>	<u>4,180,800</u>	<u>4,621,880</u>	<u>5,115,715</u>
Expenditures:					
Current:					
General government	1,021,477	1,026,044	1,132,198	1,166,356	1,220,350
Public safety	537,861	590,616	656,456	794,397	818,630
Public works	355,503	433,469	456,249	561,793	604,816
Community promotion	185,040	223,589	214,779	246,968	244,340
Community services	343,283	386,341	437,411	461,989	524,406
Debt Service Costs:	-	-	-	-	-
Capital outlay:	-	-	-	-	-
Total Expenditures	<u>2,443,164</u>	<u>2,660,059</u>	<u>2,897,093</u>	<u>3,231,503</u>	<u>3,412,542</u>
Net revenues less expenditures	<u>959,990</u>	<u>987,818</u>	<u>1,283,787</u>	<u>1,390,377</u>	<u>1,703,173</u>
Other financing sources (uses)					
Transfers in	17,196	-	-	-	-
Transfers out	(1,015,402)	(998,050)	(1,280,546)	(1,371,374)	(1,636,255)
Total other financing sources (uses)	<u>(998,206)</u>	<u>(998,050)</u>	<u>(1,280,546)</u>	<u>(1,371,374)</u>	<u>(1,636,255)</u>
Net change in fund balances	(38,216)	(10,232)	3,241	19,003	66,918
Fund balances, July 1	<u>884,525</u>	<u>846,309</u>	<u>836,007</u>	<u>839,316</u>	<u>858,321</u>
Fund balances, June 30	<u>\$ 846,309</u>	<u>\$ 836,077</u>	<u>\$ 839,318</u>	<u>\$ 858,321</u>	<u>\$ 925,239</u>

Source: Town of Yountville.

Overview of General Fund Revenue Sources

In connection with its recently completed annual budgeting process, the Town estimated that its total General Fund Revenues for Fiscal Year 2007-08 would be \$5,553,500 and projected that its Fiscal Year 2008-09 total, approximately 85.4% is expected to come from four revenue sources – transient occupancy taxes (60.5%), sales taxes (11.4%), property taxes (7.8%), and vehicle license in-lieu fees

(5.7%). The Town also estimated that about 65% to 70% of its General Fund revenues could be attributed to payments made by visitors to the Town in the form of transient occupancy and sales taxes. The remaining 14.6% of projected General Fund revenues comes from licenses and permits, franchise fees, service charges, interest and rental income, and fines and forfeitures. The four major sources of the Town's General Fund revenues are further described below.

Transient Occupancy Taxes

The Town levies a transient occupancy tax at the rate of 12% on hotel bills. The Town's voters in 2003 approved raising the tax rate from 10% to 12%, effective January 1, 2004, and also approved an advisory measure that the additional revenue be used to finance the Project. The transient occupancy tax continues in effect until changed by the Town Council or the voters.

Because of the growth in hotel tax revenues, the Town's total tax revenues would exceed its appropriations limit under California Constitution Article XIII B, except that the Town's voters have approved an increase in the limit through fiscal year 2010-11. Moreover, the Constitution excludes from appropriations subject to the limit any appropriations of tax revenue for long-lived capital assets, such as the Project, so all hotel taxes collected may be applied to debt service on the Bonds.

There are nine hotels or inns located in Yountville, of which four have fifty or more rooms. The following table shows the total numbers of lodging rooms in Yountville, overall occupancy rates, and total transient occupancy tax revenues for Fiscal Years 1997-98 through 2006-07, together with estimates of those numbers for Fiscal Year 2007-08 and projected numbers for Fiscal Year 2008-09.

TRANSIENT OCCUPANCY TAX REVENUES Town of Yountville Fiscal Years 1997-98 through 2008-09

Fiscal Year	Number of Lodging Rooms	Occupancy Rate	Revenue from Hotels with 50+ Rooms	Revenue from Hotels with 1-49 Rooms	Total Revenue
1997-98	229	80.3%	\$ 753,133	\$123,171	\$ 876,304
1998-99	341	68.1	1,272,779	142,574	1,415,353
1999-00	345	73.5	1,767,494	188,390	1,955,884
2000-01	345	72.8	1,910,257	207,056	2,117,313
2001-02	345	66.8	1,795,960	193,172	1,989,132
2002-03	345	69.0	1,903,014	187,027	2,090,041
2003-04	345	72.1	2,198,055	213,043	2,411,098
2004-05	345	72.9	2,586,420	256,070	2,842,489
2005-06	345	75.7	2,779,841	273,918	3,053,759
2006-07	345	75.9	2,921,804	309,995	3,231,799
2007-08	340	75.0*	3,003,000*	297,000*	3,300,000*
2008-09	402**	75.0**	3,258,000**	297,000**	3,555,000**

* Estimated. ** Projected.
Source: Town of Yountville.

An inn with five rooms discontinued operations in January 2008. The 62-room Bardessono Inn and Spa is under construction and scheduled to open in February 2009. The Yountville Inn has approved plans allowing for expansion of the property by 32 rooms and is in plan check and permit status as of July 2008. The Town Council has approved project plans for the proposed 20-room Hotel Luca, which is expected to be constructed within one year, and the proposed 20-room Inn at the French Laundry is currently in active planning approval process with the Town as of July 2008.

Sales Taxes

The statewide sales and use tax is levied and collected at the rate of 7.25%. Currently, of the 7.25% sales and use tax rate, 6.25% is levied for State purposes and 0.75% is levied for county and city general use. The Town actually receives an amount equal to what would be produced by a sales and use tax rate of 1.00%, because the State shifts to counties and cities property tax revenues in an amount equal to sales and use taxes at a 0.25% rate. At such time as the State's "economic recovery bonds" are retired, that property tax shift will end and the portion of sales and use taxes levied for county and city general purposes will increase to 1.00%, for no net change in revenues. A local transactions and use tax is also levied in Napa Count at the rate of 0.50% and is used to fund flood protection facilities.

The following table shows the Town's sales tax revenues for Fiscal Years 1998-99 through 2006-07, together with estimated revenues for Fiscal Year 2007-08 and projected revenues for Fiscal Year 2008-09.

SALES TAX REVENUES
Town of Yountville
Fiscal Years 1998-99 through 2008-09
(In Rounded Thousands)

Fiscal Year	Total Revenue
1998-99	\$338
1999-00	435
2000-01	494
2001-02	468
2002-03	421
2003-04	446
2004-05	435
2005-06	522
2006-07	565
2007-08	635*
2008-09	675**

* Estimated. ** Projected.
Source: Town of Yountville.

The Town's retail sales tax base will expand this year with the July 2008 opening of a flagship store for Michael Chiarello's Napa Style retail and catalog sales, the opening of two new wine-tasting retail outlets, and the opening of two new restaurants (Michael Chiarello's Bottega in October 2008 and the restaurant at the new Bardessono Inn and Spa in February 2009). Two existing closed restaurant facilities may also re-open under new ownership/management.

Property Taxes

Tax Collection. Town property taxes are collected by the County of Napa at the same time and on the same rolls as are County, school and special district property taxes. The County of Napa 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 California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes is credited the amount of uncollected taxes in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, which otherwise would have been due to the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of the County's fiscal year, the Board of

Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may, after holding a public hearing on the matter, discontinue the procedures 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 three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

The rate of tax that the Town receives is determined by a formula prepared by the County Auditor, in accordance with the laws of the State. The Town receives its proportionate share of property taxes in several installments commencing November 30 of each calendar year. As long as the Teeter Plan remains in effect, the Town will receive 100% of the annual installments of tax levied without regard to the actual amount collected.

Assessed Valuation. The Napa County Assessor values taxable property within the Town, except unitary property, as of the January 1 lien date each year. Supplemental assessment of property occurs upon a change in ownership or completion of new construction after the lien date. Unitary property (consisting mostly of operational property owned by utility companies) is assessed by the State Board of Equalization.

Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the California Constitution. In addition to adjustments because of change in ownership or new construction, the full cash value of property may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect any reductions in the consumer price index or comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors, including a general economic downturn.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property secured by a lien that is sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other taxable property is assessed on the “unsecured roll,” which generally comprises all property not attached to land, such as personal property or business equipment not otherwise exempt from taxation.

The following table shows the assessed valuation of property within the Town for the last ten fiscal years.

**ASSESSED VALUE OF TAXABLE PROPERTY
Town Of Yountville
For Fiscal Years 1998-99 through 2007-08**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
1998-99	\$163,402,271	\$522,957	\$11,677,540	\$175,602,768
1999-00	197,438,602	448,494	13,064,000	210,951,096
2000-01	214,836,981	436,626	18,539,204	233,812,811
2001-02	235,119,856	472,067	20,499,061	256,090,984
2002-03	257,184,601	448,075	22,632,366	280,265,042
2003-04	277,025,410	507,100	24,087,506	301,620,016
2004-05	297,906,584	649,373	27,476,150	326,032,107
2005-06	323,793,386	868,475	24,499,640	349,161,501
2006-07	359,838,958	838,961	25,059,778	385,737,697
2007-08	399,368,334	0	23,624,105	422,992,439

Note: Property values include supplemental tax rolls.
Source: California Municipal Statistics, Inc.

Property Taxpayers. The twenty largest taxpayers in the Town for Fiscal Year 2007-08 and the percentage of total assessed valuation represented by each taxpayer are shown in the following table:

**PRINCIPAL PROPERTY TAXPAYERS
Town of Yountville
Fiscal Year 2007-08**

Taxpayer	Business Type	2007-08 Assessed Valuation	Percentage of Total Assessed Valuation
Vintage 1870 Associates	Shopping Center	\$20,385,023	5.10%
Vintage Inn	Hotel	9,442,060	2.36
Bardessono Brothers LLC	Hotel	6,903,295	1.73
Yountville Inn LLC	Hotel	6,657,800	1.67
Gateway Mobile Home Park LLC	Mobile Home Park	6,410,751	1.61
Rancho De Napa	Mobile Home Park	5,897,325	1.48
Philippe S. & Cynthia A. Jeanty	Restaurant	5,326,850	1.33
Sally J. Post	Hotel	4,389,290	1.10
Vintners Golf Club LLC	Golf Course	4,097,943	1.03
Washington Square Yountville Partners LLC	Shopping Center	3,666,273	0.92
French Laundry Partners LP	Restaurant	3,420,212	0.86
A&L Prime LP	Restaurant	3,111,000	0.78
Edward T. & Eileen K. Kennedy	Residential	3,026,882	0.76
JT Relais LLC	Residential	2,361,854	0.59
Robin E. & Corliss J. Johnson	Residential	2,275,797	0.57
Arthur J. & Judith A. Housley	Commercial/Market	2,242,596	0.56
Lori Altamura Jones	Hotel	2,205,282	0.55
Cyndi A. Gates	Residential	2,114,489	0.53
Yountville Office Building Investors	Office Building	2,084,961	0.52
William F. & Julie Rossi	Restaurant/Market	<u>1,981,571</u>	<u>0.50</u>
Total		\$98,001,254	24.54%

Source: California Municipal Statistics, Inc.

Property Tax Revenues. The following table shows the Town's property tax revenues for Fiscal Years 1998-99 through 2006-07, estimated revenues for 2007-08, and projected revenues for 2008-09:

**PROPERTY TAX REVENUES
Town of Yountville
Fiscal Years 1998-99 through 2008-09
(In Rounded Thousands)**

Fiscal Year	Total Revenue
1998-99	\$190
1999-00	236
2000-01	270
2001-02	282
2002-03	310
2003-04	335
2004-05	293
2005-06	329
2006-07	426
2007-08	442*
2008-09	459**

* Estimated. ** Projected.
Source: Town of Yountville.

Vehicle License Fees

The vehicle license fee (VLF) is a tax collected by the State on the ownership of registered vehicles. Revenue from the VLF funds city and county services. Until 1999, the VLF tax rate was 2%. Starting in 1999, the Legislature made stepped reductions in the rate of the tax but “offset” the reduced revenue by transfers from the State general fund to cities and counties. For 2005, the Legislature repealed the offsets from the general fund and replaced them with additional property tax revenue. Because of a gap in the timing of the two actions, VLF revenue delivered to cities and counties in 2003 declined but was then repaid by the State in 2005. As long as the State uses property taxes in lieu of VLF, the revenues from that source will change in relation to changes in assessed valuation of property in the Town.

The following table shows revenues from VLF for Fiscal Years 1998-99 through 2006-07, together with estimated revenues for Fiscal Year 2007-08 and projected revenues for Fiscal Year 2008-09.

VEHICLE LICENSE FEE REVENUES
Town of Yountville
Fiscal Years 1998-99 through 2008-09
(In Rounded Thousands)

Fiscal Year	Total Revenue
1998-99	\$162
1999-00	183
2000-01	191
2001-02	224
2002-03	240
2003-04	183
2004-05	322
2005-06	289
2006-07	290
2007-08	318*
2008-09	333**

* Estimated. ** Projected.
Source: Town of Yountville.

Pension Plan

The Town provides retirement benefits to all full-time Town employees through a contract with the California Public Employee Retirement System (“PERS”), a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS issues publicly available financial reports that include the financial statements and required supplementary information for PERS. Copies of PERS annual financial reports may be obtained from their executive office, 400 “P” Street, Sacramento, CA 95814.

Regular plan members are required to contribute seven percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The rate for fiscal year 2007-08 was 17.315% and the current rate is 16.871% of covered payroll. The contribution requirements of plan

members and the Town are established by and may be amended by PERS. The Town’s actual pension cost for the most recent three years is as follows:

HISTORICAL FUNDING STATUS

Year Ended June 30,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2005	\$181,095	100%	--
2006	229,427	100	--
2007	236,039	100	--

Other Post-Employment Benefits

The Town provides post-retirement health insurance benefits for certain retirees and their dependents. The benefits vary according to the retiree’s years of service. The Town pays all of the premiums for health coverage for employees retirees who meet service-time eligibility requirements under the Town’s labor agreements. As of February 2008, there were ten retirees and dependents receiving such benefits and the Town’s estimated health insurance premium cost for Fiscal Year 2007-08 is \$61,000. The Town has funded these costs on a pay-as-you-go basis.

Governmental Accounting Standards Board Statement No. 45 (“GASB 45”) requires that employers recognize the cost of post-employment health care and other non-pension benefits (“OPEB”) over the active service life of employees rather than on a pay-as-you-go basis. The Town will be required to implement GASB 45 in Fiscal Year 2009-10.

The Town retained the services of Bartel Associates LLC, an independent actuary (the “Actuary”), to determine the extent of the Town’s OPEB liability. In an analysis dated February 5, 2008, the Actuary estimated the Town’s Actuarial Accrued Liability (“AAL”) for current and future retirees to be \$1,378,000 as of June 30, 2007. The AAL represents the present value of all benefits expected to be paid by the Town for its retirees, covered dependents and survivors and its active employees expected to retire and receive benefits in the future, discounted at an assumed 7.75% discount rate.

GASB 45 also requires the calculation of an Annual Required Contribution (“ARC”), consisting of the Normal Cost, which is the cost of benefits accrued during the current year, plus an amount to amortize the unfunded AAL over not more than 30 years. The Actuary calculated the Town’s ARC to be \$229,000, assuming implementation in Fiscal Year 2008-09. However, there is no requirement under GASB 45 that the ARC actually be funded.

The Town Council adopted a policy on July 24, 2008, to augment the Town’s reserve for OPEB by funding it in excess of current liability coverage levels. The Town will fund its OPEB reserve by increasing its payroll assessment from the current level of 3.75% in 2008-09 to 5.00%, 6.00% and 7.00% respectively, in the three subsequent fiscal years. Additionally, in July 2008, the Town will transfer General Fund excess resources to the OPEB reserve.

Investment Policy

The investment of funds of the Town, including those funds established under the Trust Agreement and held by the Town, are made in accordance with the investment policy of the Town and in accordance with Sections 53600 et seq. of the California Government Code. The Town’s investment policy is reviewed periodically to ensure compliance with the stated objectives of safety, liquidity, and

yield and current laws and financial trends. It is approved by the Town Council annually and is subject to revision at any time.

All of the Town's investments are in the State's Local Agency Investment Fund ("LAIF"). The Town's LAIF balance as of June 30, 2008, was \$7,836,479. The average interest rate yield in May 2008 (most recent available information) was 3.072%.

Risk Management

The Town is a member of the Public Agency Risk Sharing Authority of California ("PARSAC"), a joint powers agency that provides joint protection programs for public entities covering automobile, general liability, errors and omissions losses, workers compensation, and property claims. The Town is responsible for the first \$10,000 of any loss and PARSAC is responsible for losses above that amount up to \$990,000. PARSAC carries a purchased excess commercial liability policy of \$9,000,000 in excess of its \$1,000,000 retention limit to cover losses up to \$10,000,000. PARSAC also provides \$750 million aggregate per occurrence property coverage to its members with such coverage provided by purchased insurance. PARSAC will also provide the builder's risk insurance for the Project and will provide the rental abatement insurance required by the Facilities Lease.

Long-Term Debt Obligations

The Town Council on May 20, 2008, adopted a policy regarding the use of long-term debt. The policy provides that debt service on obligations that are paid from the Town's General Fund operating revenues are not to exceed 25% of such revenues. Projects financed by other revenue sources, such as utility rates and charges and special taxes approved by the voters for specific projects, are not subject to that debt service limit. The policy also provides that the Town will use debt financing only for one-time capital improvement projects and unusual equipment purchases.

The Town has never defaulted on the payment of principal of or interest on any of its indebtedness. The Town does not have any outstanding general obligation bonds. The Town entered into a lease-purchase agreement in May 2004 to fund the construction of a floodwall. The remaining unpaid principal balance at June 30, 2007, was \$2,452,505. Debt service on the lease-purchase agreement is funded from sales tax revenues received from the Napa County Flood Protection and Watershed Improvement Authority.

Overlapping Debt Statement

The table below sets forth a statement of direct and overlapping debt (the “Debt Report”) within the Town as of June 1, 2008. The Debt Report was prepared by California Municipal Statistics, Inc. and includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The Town takes no responsibility for its completeness or accuracy. Any questions concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc., Oakland, California.

**TOWN OF YOUNTVILLE
Direct and Overlapping Debt Statement**

2007-08 Assessed Valuation: \$422,992,439

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/08</u>
Napa Joint Community College District	1.675%	\$2,134,273
Napa Valley Unified School District	2.414	4,686,298
Town of Yountville	100.000%	<u>0</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$6,820,571
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Napa County Certificates of Participation	1.690%	\$642,285
Napa County Board of Education Certificates of Participation	1.690	<u>61,939</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$704,224
 COMBINED TOTAL DEBT		 \$7,524,795 (1)

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

Ratios to 2007-08 Assessed Valuation:

Direct Debt.....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.61%
Combined Total Debt.....	1.78%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0

Source: California Municipal Statistics, Inc.

LIMITATIONS ON TAX REVENUES

California Constitution Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional

taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

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

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

California Constitution Article XIII B

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any Town, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified capital outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by

the Town over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the Town in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the Town's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Town's appropriations limit for Fiscal Year 2007-08 is \$4,986,902, which amount includes the voter-approved increase of \$900,000, which is effective through fiscal year 2010-11. The amount shown in the final budget as the appropriations subject to limitation is \$4,067,478. As noted above, because appropriations of tax revenue for long-lived capital assets, such as the Project, are excluded from appropriations subject to the limit, all of the transient occupancy taxes and other taxes collected may be applied to debt service on the Bonds.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the Town require a majority vote and taxes for specific purposes, even if deposited in the Town's general fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the Town Council to raise revenues for the general fund, and no assurance can be given that the Town will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements. In addition, Article XIII D contains new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

Article XIII D also contains several provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any

property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The Town must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the Town may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as “property related” for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the Town will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the Town’s general fund. “Assessment,” “fee” and “charge” are not defined in Article XIII C, and it is not clear whether the definitions of these terms in Article XIII D (which are generally property related as described above) would be applied to Article XIII C. If the Article XIII D definitions are not held to apply to Article XIII C, the initiative power could potentially apply to revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the Town will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

In addition, Proposition 218 added several requirements making it generally more difficult for counties and other local agencies to levy and maintain assessments for municipal services and programs.

Finally, Proposition 218 requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general government purposes of the Town require a majority vote and taxes for specific purposes only require a two-thirds vote. The voter approval requirements reduce the flexibility of the Town Council to deal with fiscal problems by raising revenue and no assurance can be given that the Town will be able to raise taxes in the future to meet increased expenditure requirements.

Proposition 1A

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State “mandates” a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has “suspended” mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A, which amended the California Constitution to, among other things, reduce the State Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local government’s property, sales and vehicle license fee revenues.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a county for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). Finally, the measure prohibits the State from reducing the property tax revenues provided to a county as replacement for the local sales tax revenues redirected to the State and pledged to pay debt service on State deficit-related bonds approved by voters in March 2004.

If the State reduces the VLF rate below its current level of 0.65% of the vehicle value, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. *First*, beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. *Second*, Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California 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. Beginning in Fiscal Year 2005-06, if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A restricts the State's authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example, the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218 and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the Town or local districts to increase revenues or to increase appropriations, which may affect the Town's revenues or its ability to expend its revenues.

CERTAIN RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the Bonds. In

addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks or other considerations.

Proposed Local Initiative Measure

A local initiative measure has qualified for the November 2008 ballot that would require voter approval of Town lease financings if the cumulative outstanding principal amount of such financings would exceed \$5,000,000 (increased by 5% each year). If the proposed measure passes, it would, by its terms, apply to all lease financing agreements entered into after January 1, 2008, which would include the Facilities Lease that secures the Bonds.

In the opinion of Bond Counsel, the Facilities Lease is a valid obligation of the Town under existing law. See APPENDIX C – “PROPOSED FORM OF BOND COUNSEL OPINION.” Both the United States Constitution and the California Constitution prohibit all state or local laws “impairing the obligation of contracts.” Allowing the Town’s voters to repudiate an existing contract would be the starkest form of impairment of a contract. Therefore, Bond Counsel is of the opinion that, if the proposed measure were to be adopted by the voters and applied to the Facilities Lease, if the matter were properly briefed and presented to a court, the court would hold that any retroactive disapproval of the Facilities Lease was invalid as an unconstitutional impairment of contract. The Town has covenanted in the Facilities Lease to take all legal steps necessary to protect the Facilities Lease and the Bonds against any challenges based on the proposed measure were it to be approved by the voters.

Rental Payments Not a Debt of the Town

The Bonds are limited obligations of the Authority payable solely from Revenues, consisting primarily of Rental Payments to be made by the Town to the Authority under the Facilities Lease. The Rental Payments due under the Facilities Lease (and insurance, payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges and assessments levied against the Leased Property) are not secured by any pledge of taxes (other than the pledge of a portion of the Town’s transient occupancy taxes) or any other revenues of the Town but are payable from any funds lawfully available to the Town.

Other Obligations Payable from General Fund

While the Trust Agreement does not provide for the issuance of any additional series of bonds secured by the Rental Payments, the Town may incur other obligations in the future payable from the same sources as the Rental Payments. In the event the Town’s revenue sources are less than its total obligations, the Town could choose to fund other municipal services before making Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the Town is not permitted to appropriate and spend all of its available revenues. The Town’s appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the Town’s current limitations on appropriations, see “LIMITATIONS ON TAX REVENUES – Article XIII B of the California Constitution.”

Budgeting and Appropriation of Rental Payments

The Town is obligated under the Facilities Lease to pay Rental Payments from any source of legally available funds (subject to certain exceptions) and the Town has covenanted in the Facilities Lease that, for as long as the Leased Property is available for its use, it will make the necessary annual appropriations within its budget for all Rental Payments. The Town is currently liable on other obligations payable from general revenues. See “TOWN FINANCIAL INFORMATION — Overlapping Debt

Statement.” In addition, the Town has the authority to enter into other obligations that may constitute additional charges against its revenues. If the amounts that the Town is obligated to pay in a fiscal year exceeds the Town’s revenues for such year, the Town could choose to fund other services and obligations before making Rental Payments and Additional Payments, based on the perceived needs of the Town. The same result could occur if, because of California Constitutional limits on expenditures, the Town is not permitted to appropriate and spend all of its available revenues. See “LIMITATIONS ON TAX REVENUES.”

Abatement

The Project is expected to be completed by October 31, 2009. If it is not completed by January 31, 2010, the rent payable under the Facilities Lease for the Leased Property will be abated in the proportion that the construction costs of the parts of the Project not yet delivered bears to the construction cost of the entire Project. Rental Payments have been funded from Bond proceeds through January 31, 2010. If completion of the Project is delayed substantially beyond that date, after depletion of the Reserve Fund and liquidated damages from the construction contractor, there could be insufficient funds to make payments to Owners in full.

In addition, in the event of loss or substantial interference in the use and occupancy of the Leased Property by the Town caused by damage or destruction or condemnation of the Leased Property, Rental Payments will be subject to abatement. In the event that the Leased Property or any component thereof, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the Town’s rental interruption insurance will be available in lieu of Rental Payments plus the period for which funds are available from the Reserve Fund, the Capitalized Interest Account, or the Revenue Fund, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of the Leased Property or such component of the Leased Property or redemption of the Bonds, there could be insufficient funds to make payments to Owners in full.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of the execution and delivery of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

Limited Recourse on Default; No Acceleration

The enforcement of remedies provided in the Facilities Lease and the Trust Agreement could be both expensive and time consuming. Upon the occurrence of one of the “events of default” described below, the Town will be deemed to be in default under the Facilities Lease and the Authority may exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Lease. Upon any such default, including a failure to pay Rental Payments, the Authority may either (1) terminate the Facilities Lease and seek to recover certain damages or (2) without terminating the Facilities Lease, (i) continue to collect rent from the Town on an annual basis by seeking a separate judgment each year for that year’s defaulted Rental Payments and/or (ii) reenter the Facilities and relet them. In the event of default, there is no right to accelerate the total Rental Payments due over the term of the Facilities Lease, and the Trustee has no possessory interest in the Facilities and is not empowered to sell the Facilities.

Events of default under the Facilities Lease include (i) the failure of the Town to make rental payments under the Facilities Lease when the same become due and payable, (ii) the failure of the Town to keep, observe or perform any term, covenant or condition of the Facilities Lease to be kept or performed by the Town for a period of 30 days after notice of the same has been given to the Town, and (iii) the bankruptcy or insolvency of the Town.

Upon a default, the Trustee may elect to proceed against the Town to recover damages pursuant to the Facilities Lease. Any suit for money damages would be subject to statutory and judicial limitations on lessors' remedies under real property leases, other terms of the Facilities Lease and limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Limitations on Remedies

The rights of the Owners of Bonds are subject to the limitations on legal remedies against counties in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the Town, there are no involuntary petitions in bankruptcy. If the Town were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Lease, and from taking any steps to collect amounts due from the Town under the Facilities Lease.

All legal opinions with respect to the enforcement of the Facilities Lease and the Trust Agreement will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

Earthquake and Other Natural Disasters

Earthquake. There are several active geological faults in the State that have potential to cause serious earthquakes that could result in damage within the Town and to the Leased Property, buildings, roads, bridges, and other property. While the Town is not currently located in any existing special study zone, defined in the Alquist-Priolo Earthquake Zoning Act, which requires the State Division of Mines and Geology to delineate all known active faults and establish minimum set back distances for the construction of habitable structures near active fault zones, it is possible that new geological faults could be discovered in the area and that an earthquake occurring on such faults could result in damage of varying degrees of seriousness to property and infrastructure in the Town, including the Leased Property.

The Facilities Lease does not require the Town to maintain insurance on the Leased Property against earthquakes if such insurance is not available at commercially reasonable rates from reputable insurers.

Risk of Flooding. The National Flood Insurance Reform Act requires, among other things, that the Federal Emergency Management Agency ("FEMA") assess its flood hazard map inventory at least once every five years. Currently, the Leased Property is not located within a 100-year flood plain. A

100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1% (or 1-in-100) probability of occurrence in any year. The Town makes no representation as to whether future floodplain maps may be released that may include the Town within a 100-year floodplain that could include the Leased Property.

Hazardous Substances

In general, the owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) of the property is obligated to remedy a hazardous substance condition whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the finances of the Town.

Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on Town owned property of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it.

Although the Town handles, uses and stores and will handle, use and store certain hazardous substances, including but not limited to, solvents, paints, certain other chemicals on or near the Leased Property, the Town knows of no existing hazardous substances which require remedial action on or near the Leased Property. However, it is possible that such substances do currently or potentially exist and that the Town is not aware of them.

California State Budget

Several sources of Town revenues may be affected by actions of the State Legislature. State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. The Governor has estimated that the State faces a potential budget deficit of \$17.2 billion in Fiscal Year 2008-09. In the past, when the State has experienced financial difficulties, the Legislature has redirected local revenues sources to the State’s use. See “LIMITATIONS ON TAX REVENUES – Proposition 1A.”

The text of enacted and proposed State budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

The Town cannot predict or estimate what the State budget revenue shortfall in the current or future fiscal years may be or what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures. The State budget may also be affected by national and state economic conditions and other factors over which the Town has no control. Reduced State revenues and potential deficits could have an adverse financial impact on the Town in future years.

Secondary Markets and Prices

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds, and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the general fund revenues of the Town and, consequently, having an adverse effect on the security for the Bonds.

CONCLUDING INFORMATION

Certain Legal Matters

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in Appendix C to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority and the Town by the Town Attorney. Payment of the fees of Bond Counsel are contingent upon the issuance and delivery of the Bonds.

Tax Matters

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, compliance with the certain covenants interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

The Internal Revenue Code of 1986 (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Town have covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. In addition, pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to

the Code may adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Owners of Bonds should consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from California personal income taxes, the ownership or disposition of the Bonds or the accrual or receipt of interest on the Bonds may otherwise affect the owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal or State income taxation or otherwise prevent Owners of Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of Bonds should consult their own tax advisors regarding any pending or proposed federal or State tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity of the Bonds.

Absence of Material Litigation

At the time of delivery of and payment for the Bonds, the Authority and the Town will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the Town or the Authority threatened, against the Town or the Authority in any material respect affecting the existence of the Town or the Authority or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale or delivery of the Bonds, the execution and delivery of the Trust Agreement, the Facilities Lease, or the Site Lease, or the payment of Rental Payments or challenging, directly or indirectly, the proceedings to lease the Leased Property from the Authority.

Various legal actions are pending against the Town. The aggregate amount of the uninsured liabilities of the Town which may result from all legal claims currently pending against it will not, in the opinion of the Town, materially affect the Town's finances or impair its ability to make Base Rental Payments under the Facilities Lease.

Financial Statements

The Town's General Purpose Financial Statements for the fiscal year ended June 30, 2007, which are included in this Official Statement, have been audited by Terry E. Krieg, Certified Public Accountant, Santa Rosa, California, an independent auditor (the "Auditor"), as stated in his report herein. See APPENDIX A – "AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

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

Continuing Disclosure

The Town has covenanted for the benefit of the Bondowners to provide annually certain financial information and operating data relating to the Town, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be delivered not later than March 31 of each calendar year (the “Annual Report”). The Annual Report will be filed by the Town with each Nationally Recognized Municipal Securities Information Repository and with any then existing State Repository (the “Repositories”). The notices of material events will be filed by the Town with the Repositories. The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth below in APPENDIX D—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Town has not previously entered into a continuing disclosure undertaking.

Financial Advisor

KNN Public Finance, a Division of Zions First National Bank, Oakland, California, has served as Financial Advisor to the Town with respect to the sale of the Bonds. The Financial Advisor has assisted the Town in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Town to determine the accuracy or completeness of this Official Statement. Due to their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the Town contingent upon the sale and delivery of the Bonds.

Ratings

Standard & Poor’s is expected to assign its rating of “AA” to the Bonds. A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of the ratings may be obtained from Standard & Poor’s at Public Finance Department, 55 Water Street, 38th Floor, New York, New York 10041, telephone (212) 438-2400. Certain information was supplied by the Authority and the Town to the rating agency to be considered in evaluating the Bonds. Such ratings express only the views of the rating agency and are not a recommendation to buy, sell or hold the Bonds.

There is no assurance that such ratings will continue for any given period of time or that they will not be reduced or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment, circumstances so warrant. The Authority, the Town and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds.

Underwriting

E. J. De La Rosa & Co., Inc. (the “Underwriter”), has agreed, pursuant to a purchase contract between the Authority and the Underwriter (the “Purchase Contract”), to purchase all of the Bonds for a purchase price of \$10,568,562.60 (which represents the principal amount of the Bonds of \$10,710,000, less net original issue discount of \$74,499.90, less Underwriter’s discount of \$66,937.50). The Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the

approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Authorization

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

YOUNTVILLE FINANCE AUTHORITY

By: /s/ Steven R. Rogers
Steven R. Rogers, Administrator

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE TOWN FOR
THE FISCAL YEAR ENDED JUNE 30, 2007**

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Town of Yountville, California

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2007



Introductory Section

TOWN OF YOUNTVILLE, CALIFORNIA
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2007

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TOWN OF YOUNVILLE, CALIFORNIA
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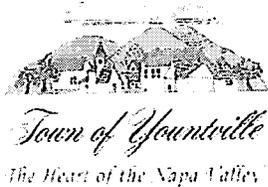
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**TOWN OF YOUNTVILLE, CALIFORNIA
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LETTER OF TRANSMITTAL

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2007

April 3, 2008

To the Honorable Mayor, Members of
The Town Council and Citizens of the Town
of Yountville

INTRODUCTION

The Town follows a policy of preparing a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America after the end of each fiscal year. These financial statements are audited by a licensed certified public accounting firm. The financial statement audit has been completed, and we hereby issue the Comprehensive Annual Financial Report of the Town of Yountville for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the Town of Yountville. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Yountville has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to communicate sufficient reliable information for the Town of Yountville's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the Town of Yountville's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Yountville's financial statements have been audited by Terry E. Krieg CPA, a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Yountville for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditing firm concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Yountville's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with U.S. generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

This report contains financial information and data using the new financial reporting format established for governments by the Governmental Accounting Standards Board (GASB), which sets accounting and financial reporting standards for governments in the United States of America. The new financial reporting standards require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Yountville's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE TOWN AND ITS OPERATIONS

The Town of Yountville was incorporated February 4, 1965, and the Town is located in the Napa Valley area of Northern California considered to be one of the premier wine producing regions of the United States. The Town itself has a population of slightly over 3,000 persons. However, on any given day that population can increase by as much as 20% due to the number of lodging establishments located in the Town and the frequency with which the Town is visited by individuals from this region, across the country, and throughout the world.

The Town operates under a council-manager form of government. Policy making and legislative authority are vested in the Town Council consisting of the Mayor and four other elected Council members. The Council is responsible, among other matters, for passing ordinances, adopting the Town budget, appointing committees, and hiring the Town Manager and Town Attorney. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the daily operations of the Town, and for appointing other employees and otherwise managing daily operations of the Town.

The Council is elected on a non-partisan basis. Council members serve four year staggered terms, with two members elected every two years. The Mayor is elected to serve a two year term.

The Town provides a full range of municipal services including public safety fire and police protection through contracts with Napa County; construction and maintenance of Town streets, storm drains, bridges and similar infrastructure type assets; park maintenance; community recreation activities including day camps, a summer pool, and other programs. In terms of business type activities, the Town provides water and wastewater services through operation of its utility enterprises.

The Town's annual budget serves as the foundation for the Town of Yountville's financial planning and control system. All departments of the Town submit requests for appropriations to the Town Manager each year; these requests are the starting point for developing a proposed budget. The Manager presents a proposed operations and capital planning budget to the Town Council each year. The Council typically holds two public hearings on the proposed budget and ultimately adopts a formal budget. The budget is adopted by fund, function, department, and object. During the fiscal year the Council periodically reviews the Town's actual financial activity in relationship to the adopted budget, and as necessary amends the budget to reflect changing conditions.

Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The general fund's comparison is presented as required supplementary information in a separate section of this report immediately following the notes to the financial statements. For the Town's other governmental-type funds a budget to actual comparison schedule is presented as optional information in the section of this report containing combining financial statements and individual fund schedules.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered in relationship to the Town's specific environment and the Town's plans for the future.

Local Economy

The Town is located approximately sixty miles north of San Francisco in the Napa Valley. The Valley attracts many visitors each year as they visit to enjoy local attractions. The area is renowned for its abundance of vineyards, wineries, lodgings and restaurants of national reputation. The Town has a warm small Town

environment situated among the hills of Napa Valley.

About 62 percent of the Town's general fund revenues come from the local hotel tax collected from lodging establishments, and another 13 percent of general fund revenues come from sales taxes. In fiscal 2007, overall Town revenues increased by about \$1.5 million to about \$8.5 million compared with \$7.0 million in fiscal 2006. Most of this increase was related to recognizing about \$1 million in development related revenues such as impact fees and increases in property and sales tax revenues.

The Town's hotel tax revenues increased about 5.8 percent in fiscal 2007 and the Town expects strong future growth in the years ahead

Long-Term Financial Planning

The Town in fiscal year 2008 plans to move forward with significant capital projects including the Town Center/Library Community Center, undertaking park improvements, replacing water and sewer mains, and making street and pedestrian pathway improvements. The Town has in place a five year capital improvement program for these and other projects.

Cash Resources and Practices

During the year, idle cash was invested by the Town in the State of California Local Agency Investment Fund (a pooled investment arrangement among California governments). Investment revenue did increase by about 40 % in fiscal 2007 as the LAIF rate of return increased along with the upswing in general securities markets.

The Town did end the fiscal year with about \$8.09 million in cash and investment holdings. This amount is more than sufficient to enable the Town to move forward into the new fiscal year, conduct operations, and embark upon the planned capital asset improvement programs.

Risk Management

The Town limits its exposure to losses from unfavorable events, employee injuries, and from the risk of damage to Town property by participating with other governments in an insurance pool wherein the risk of substantial monetary loss is transferred from the Town to the pool and also by the pool to commercial insurance companies. Further information about this arrangement is included in the notes to the financial statements.

Pension Benefits

Because the Town contracts with Napa County for fire protection and sheriff services, the Town directly participates in the Public Employees Retirement System (PERS) of the State of California for all employees other than safety. The Town funds each years required contribution to the plan as determined by the PERS based upon actuarial information. As a result of funding contributions over the years and the result of investment gains/losses realized by the PERS, the pension plan's actuarial accrued liability was about 88 percent funded as of the latest actuarial valuation of the plan. Additional information about the plan is included in the notes to the financial statements and in the required supplementary information section of this report.

Challenges for Fiscal 2008

In fiscal year 2007-08, the Town plans to spend over \$8.82 million on capital improvements and projects. The Town expects to be able to fund these costs with a combination of existing financial resources, external

grants, and long-term financing.

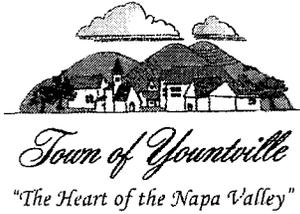
Staff Contributions

Preparation of this report would not have been possible without the efficient and dedicated service of administration and finance department staff. Recognition must also be given to the Mayor and the Members of the Town Council for their continued support for maintaining high standards of professionalism in the management of the Town of Yountville's financial affairs.

Respectfully submitted,



Richard Stranzl
Finance Director



Town of Yountville, California

List of Principal Officials

TOWN COUNCIL

Cynthia Saucerman, Mayor

John Dunbar, Vice Mayor

Lewis Chilton, Councilmember

William Dutton, Councilmember

Steven Rosa, Councilmember

TOWN ADMINISTRATION

Steven Rogers, Town Manager

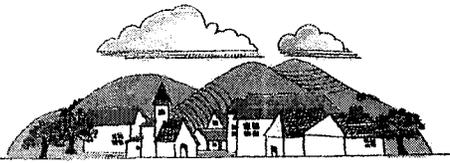
Robert Tiernan, Planning Director

Kenneth Leary, Community Services Director

Myke Praul, Director of Public Works & Town Engineer

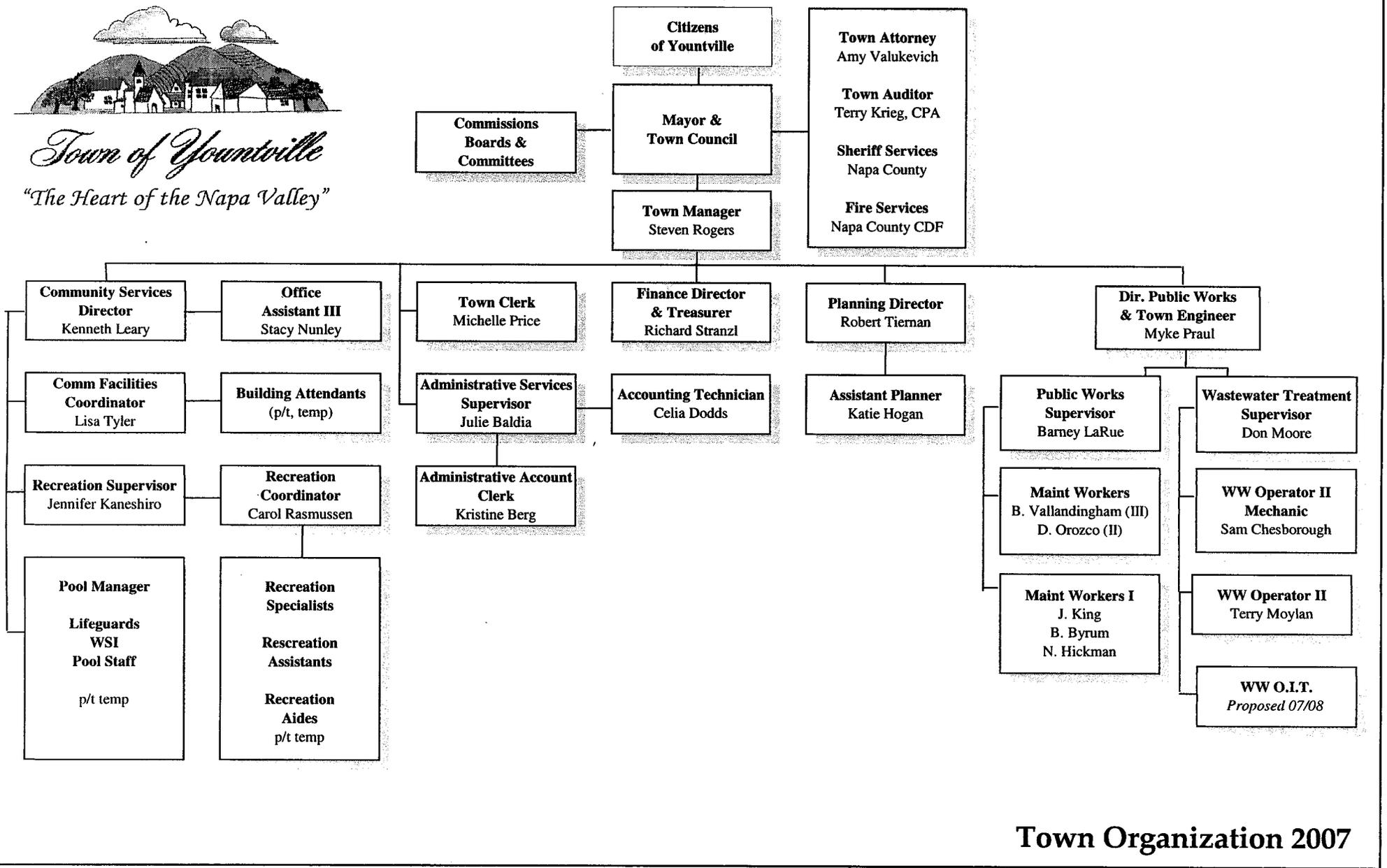
Michelle Price, Town Clerk

Richard Stranzl, Finance Director & Treasurer



Town of Yountville

"The Heart of the Napa Valley"



Town Organization 2007



Financial Section

Management's Discussion and Analysis,
Basic Financial Statements and
Notes to the Financial Statements

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Terry E. Krieg, CPA

Certified Public Accountant

Independent Auditor's Report

Honorable Mayor and Members
of the Town Council
Town of Yountville
Yountville, California

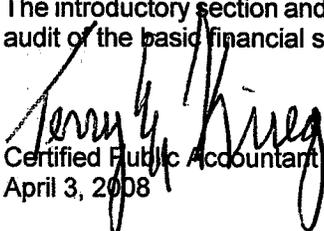
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Yountville, California, (the Town) as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Yountville's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Yountville, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 2 through 12 and pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Yountville's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements and schedules, comparative proprietary fund statements, and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules, and the comparative proprietary fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.


Certified Public Accountant
April 3, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Yountville's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's total net assets increased by about \$2,270,000 over the course of this year's operations. The net assets of our business-type activities increased by about \$642,000 (or about 6.9 percent), and there was a \$1,628,000 (or 12.5 percent) increase in the net assets of our governmental activities.
- During the year, the expenses of the Town's governmental programs were \$4.47 million and these costs were paid for using program revenues of about \$1.55 million and \$2.92 million in taxes and other general revenues.
- In the Town's business-type activities, revenues increased about \$600,000 to about \$2.01 million while expenses were stable at about \$1.81 million compared to \$1.82 million in fiscal 2006.
- The general fund reported a year end fund balance of \$925,239.
- The resources available for governmental activity type capital projects were \$2.49 million at year-end. The City ended fiscal 2007 with about \$2.6 million in its non-major governmental funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – *an introductory section, a management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and enterprise funds. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major funds, each of which are added together and presented in single columns in the basic financial statements. We have also included comparative financial statements for our water and wastewater enterprise funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Town of Yountville's Government-Wide and Fund Financial Statements

	Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town government	The activities of the Town that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Town operates similar to private businesses: the water and sewer system, and the community hall facilities .
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues expenses, and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The government-wide financial statements of the Town are divided into two categories:

- *Governmental activities* – Most of the Town's basic services are included here, such as the police, fire, public works, parks departments and general administration. Property taxes, sales taxes, transient occupancy taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's water and sewer system, and community hall are included here.

Fund Financial Statements

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

- Some funds are required by State law.
- The Town Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants (like state supplemental law enforcement operating and technology grants).

The Town has two kinds of funds:

- *Governmental funds* – Most of the Town's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
 - In fact, the Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Assets. The Town's *combined* net assets increased about \$2,270,000 between fiscal years 2006 and 2007. (See Table A-1.) In comparison, in 2005-06 net assets increased by about \$1.04 million.

Table A-1
Town of Yountville's Net Assets
(Rounded to Nearest Thousand Dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-2007
Current and other assets	\$ 6,094,000	\$7,156,000	\$ 1,846,000	\$2,510,000	\$7,940,000	\$9,666,000	21.7%
Capital assets	10,163,000	10,883,000	7,724,000	7,598,000	17,887,000	18,481,000	3.3%
Total assets	16,257,000	18,039,000	9,570,000	10,108,000	25,827,000	28,147,000	9.0%
Long-term debt outstanding	2,638,000	2,453,000	-	-	2,638,000	2,453,000	-7.0%
Other liabilities	539,000	878,000	289,000	185,000	828,000	1,063,000	22.1%
Total liabilities	3,177,000	3,331,000	289,000	185,000	3,466,000	3,516,000	1.4%
Net assets							
Invested in capital assets	7,575,000	8,477,000	7,724,000	7,598,000	15,299,000	16,075,000	5.1%
Restricted	479,000	460,000	518,000	541,000	997,000	1,001,000	0.4%
Unrestricted	5,026,000	5,771,000	1,039,000	1,784,000	6,065,000	7,555,000	24.6%
Total net assets	\$ 13,080,000	\$ 14,708,000	\$9,281,000	\$ 9,923,000	\$22,361,000	\$24,631,000	10.2%

Net assets of the Town's governmental activities increased about 12.4 percent to \$14.80 million. About 42% of the net assets relating to governmental activities is represented by cash and other current assets. The Town has one long-term capital lease relating to its governmental activities. The net assets in this category would have increased even more in 2007, but the Town transferred-out \$440,000 to its business-type activities to assist in financing water enterprise and community hall operations.

Although the net assets of our business-type activities increased by 6.9 percent to \$9.92 million, these resources cannot be used for governmental activities. Generally, the Town may only use these "business-type" net assets to finance the continuing operations of the water, wastewater, and community hall (in fiscal year 2007-08, the Town plans to incorporate community hall operations into the governmental activities component of these statements.)

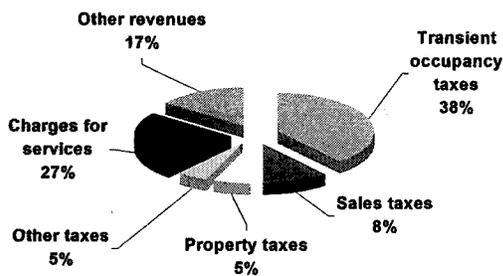
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

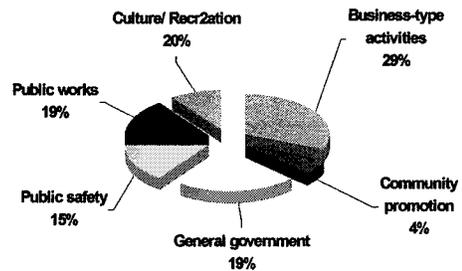
Changes in net assets. The Town's total revenues in fiscal 2007 increased \$1.5 million to about \$8.54 million. (See Table A-2.) About 43 percent of the Town's revenue comes from transient occupancy and sales taxes, 52 cents of every dollar raised comes from some type of tax, another 27 percent derives from fees charged for services, and the remainder is largely state and federal aid.

The total cost of all programs and services increased by approximately 5.2 % to \$6.27 million in 2007. The Town's expenses cover a range of services, with about 29% related to business type activities and the remaining 71% relating to general government, safety, streets, parks and community programs.

Sources of Revenue for Fiscal Year 2007



Functional Expenses for Fiscal Year 2007



Governmental Activities

Revenues for the Town's governmental activities increased by about \$940,000 fiscal 2007, while total expenses increased about \$328,000. The main reasons for the increase in 2007 revenues was a \$379,000 increase in transient occupancy, sales and property taxes along with about \$513,000 in develop impact fees for housing, civic facilities, and streets purposes.

Most of the expense increases were related to higher costs of services and operational cost increases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Table A-2
Changes in Town of Yountville's Net Assets
(in millions of dollars)

	Governmental -Type Activities		Business -Type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-2007
Revenues							
Program revenues:							
Charges for services	\$.43	\$.87	\$ 1.34	\$ 1.42	\$ 1.77	\$ 2.29	29.4%
Operating grants and contributions	.51	.65	-	-	.51	.65	27.5%
Capital grants	.10	.02	.07	.59	.17	.61	258.8%
Transient occupancy taxes	3.05	3.23	-	-	3.05	3.23	5.9%
Other taxes	.97	1.19	-	-	.97	1.19	22.7
Other	.53	.57	-	-	.53	.57	7.5%
Total revenues	5.59	6.53	1.41	2.01	7.00	8.54	22.0%
Expenses							
General government	1.19	1.25	-	-	1.19	1.25	5.0%
Public safety	.91	.93	-	-	.91	.93	2.2%
Community services	.61	.77	-	-	.61	.77	26.2%
Public works	1.10	1.19	-	-	1.10	1.19	8.2%
Community promotion	.25	.24	-	-	.25	.24	-4.0%
Water	-	-	.79	.83	.79	.83	5.1%
Wastewater	-	-	.83	.81	.83	.81	-2.4%
Community hall	-	-	.20	.17	.20	.17	-1.5%
Other	.08	.08	-	-	.08	.08	0.0%
Total expenses	4.14	4.46	1.82	1.81	5.96	6.27	5.2%
Excess (deficiency) before transfers	1.45	2.07	-.41	.20	1.04	2.27	118.3%
Transfers	(.61)	(.44)	.61	.44	-	-	-
Increase (decrease) in net assets	\$.84	\$ 1.63	\$.20	\$.64	\$ 1.04	\$ 2.27	118.3%

The increase in the change in net assets for 2007 compared to 2006 was directly related to the one-time revenues for developmental impact fees and increases in tax revenues without significant increases in total expenses

Table A-3 presents the cost of each of the Town's five largest programs – administration or general government, safety, community services, public works, and community promotion –

- The cost of all *governmental* activities this year was \$4.46 million, about \$328,000 or 7.7 percent more cost than in fiscal year 2006-07.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

- However, the amount that our taxpayers paid for these activities through Town taxes was only \$2.92 million. Some of the cost was paid by:
 - Those who directly benefited from the programs (\$.87 million), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (\$674,000).
- The Town paid for the \$2.92 million “public benefit” portion with \$2.92 million in taxes, and with other revenues such as interest and investment earnings.

Table A-3
Cost of Town Yountville's Governmental Activities
 (in millions of dollars)

	Total Cost of Services		Percentage Change
	2006	2007	2006-2007
General Government	\$1.19	\$1.25	5.0%
Public Safety	.91	.93	2.2%
Community Services	.61	..77	26.2%
Public Works	1.10	1.19	8.2%
Community Promotion	.25	.24	-4.0%
Other	.08	.08	0.0%
Total	\$4.14	\$4.46	7.7%

On an overall basis, the expense of operating our governmental activities increased in fiscal 2007 by about 7.7 percent compared with a 6.4 percent increase in fiscal 2006.

Business-type Activities

Revenues of the Town's business-type activities increased by about \$603,000 primarily from capital impact fees, and expenses remained relatively stable at about \$1.8 million for 2006-07. (Refer to Table A-2).

The Town continued to transfer resources into the water and community hall business-type activities – a total of \$440,000 to assist those business activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a *combined* fund balance of \$6.03 million, about a \$720,000 increase over last fiscal year. The Town's general fund operations generated about \$1.70 million more in revenues than was spent on governmental activities. The Town set aside \$571,255 of such excess revenues into its capital projects fund. An additional \$440,000 was transferred to the Town's water enterprise and community hall enterprise, and \$625,000 was transferred into various special revenue and reserve funds. At year-end, the Town's general fund had about \$825,000 in reserved and undesignated fund balance, in compliance with the financial management policy adopted by the Town Council.

The general fund's ability to generate over \$1 million a year in excess revenues is directly related to the hotel tax received from local hotel and inn room establishments. This general-tax type revenue increases substantially each year based upon changes in room rates, changes in room occupancy, and in recent years, from the building and opening of new establishments.

Because of the growth in hotel tax revenues, the Town's tax revenues exceed the "Base Appropriations Limit" established by Proposition 13 commonly known as the Gann Limit. This "Gann Limit" places monetary limits on the amount of general tax revenues which may be spent in any given year. Revenues in excess of the limit might otherwise have to be refunded to taxpayers or used to reduce other related fees. The citizens of Yountville have voted to override this limit 5 times. In 2006, the voters approved a \$900,000 override to authorize the Town to spend the proceeds of increased hotel-tax revenues. Fiscal year 2010-11 is the final year of the authorized override.

The Town's capital projects fund ended the 2007 fiscal year with a \$2.49 million fund balance. The Town has been able to finance its capital projects by accumulating excess general fund revenues and placing the cash in its capital projects funds.

There was an additional \$2,616,818 in the Town's non-major special revenue funds at year-end; most of which is to be used for affordable housing (\$959,220), street repairs and maintenance (\$245,320), the new Community Center (\$828,559), and other activities (\$583,719).

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the Town budget several times. These budget amendments fall into two categories:

- Changes made at the midyear budget review for unanticipated revenues and costs.
- Increases in appropriations to prevent budget overruns.

Even with these adjustments, actual expenditures and transfers were \$240,797 more than final budget amounts. The most significant negative variance, \$406,655, resulted from the actual transfers to the capital projects fund being more than anticipated at the start of the year. This is to be expected because the final transfer amount is determined based upon the actual closing results. When transfer-out variance is excluded from the budgetary comparison, then actual total general fund expenditures were \$165,858 less than the final budgeted amounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Town had invested \$18.48 million in a broad range of capital assets, including equipment, vehicles, buildings, park facilities, and water and sewer systems. (See Table A-4.) This amount represents a net increase (including additions and deductions) of approximately \$590,000, or 3.3 percent, over last year.

**Table A-4
Town of Yountville's Capital Assets
(net of depreciation, in millions of dollars)**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-2007
Land and CIP	\$1.57	\$1.13	\$.005	\$.005	\$1.575	\$1.135	-27.9%
Buildings and improvements	.89	2.19	.73	.72	1.62	2.91	79.6%
Equipment	.29	.24	..60	..61	.89	.85	-4.5%
Infrastructure and systems	7.41	7.32	5.76	5.62	13.17	12.94	-1.7%
Water rights	0.0	0.0	.63	.63	.63	.63	0.0%
Total	\$10.16	\$10.88	\$7.72	\$7.59	\$17.88	\$18.47	3.3%

This year's major capital assets additions included:

- About \$297,208 in design and planning costs for the new community center.
- \$110,433 for pedestrian pathway improvements
- \$100,321 for ADA accessibility projects, bus shelter and town hall remodeling work
- \$499,643 more to complete the renovation and upgrade of the swimming pool at the Veteran's Home, pursuant to a leasehold arrangement whereby the Town funds the renovation costs in exchange for a long-term arrangement whereby the citizens of the Town can also use the facilities. The pool project was closed out in fiscal 2007 at a total cost of \$1,234,436

The Town's fiscal year 2007-08 capital improvement project budget provides for spending \$8.56 million on projects; some include completion of the design work on the new Community Center/Library Project, park improvements, drainage mitigation, street overlays, water main replacements, and sewer line work.

The Town expects to finance these projects with its existing resources including \$990,000 from the Town's capital projects fund, and significant contributions from the housing and wastewater capital funds.

Additional information about capital assets can be found starting at page 30 of the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt

The Town has been able to conduct its operations and maintain as well as develop its capital facilities and systems without the need to incur long-term borrowing. However, in fiscal 2004 the Town entered into a capital lease for about \$2.8 million to help finance the costs of the now completed Floodwall Project. .

Additional information about the long-term debt of the Town can be found on page 33 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2008 fiscal year, general fund revenue projections have been conservative compared to higher revenue projections in the past years.

- Overall 2008 general fund revenues are projected to increase by a net 6.5 percent over fiscal year 2007 actual general fund revenues.
- The Town expects that 2008 general fund revenues will exceed general fund spending by about \$1,340,000.

General fund 2008 budgeted appropriations are set at \$4,140,000. This is an increase of about 21% compared to 2007 actual expenditures – nearly 53% of this increase is associated with moving the community hall operating budget, and the business costs of building inspection and plan checking, into the general fund. An additional 17% of the increase is attributable to increase public safety contract costs. In 2008, the Town still expects to transfer \$1,305,000 out of the general fund.

The \$1,305,000 in anticipated transfers will be shared with:

- \$400,000 to the capital projects fund to finance projects.
- \$187,000 to the water enterprise to subsidize water rates.
- \$50,000 to the street reserve fund to finance street improvements.
- \$550,000 to the Community Center capital projects fund
- \$118,000 to the affordable housing fund and other projects.

As to the Town's business-type activities, we have plans to do the following in fiscal 2008:

- No increase in water rates
- No increase in the sewer service rates

As to capital projects in fiscal 2008, the Town's budget provides for about \$8.56 million in spending on projects with about \$5.5 million for the Community Center Project. The Town expects to use up about \$3.53 million of Town funds for the projects and to obtain about \$5.3 million from other financing sources such as grants, loans, and long-term financing arrangements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Town of Yountville, 6550 Yount Street, Yountville, CA 94599.

TOWN OF YOUNTVILLE
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 3,332,227	\$ 400,377	\$ 3,732,604
Net receivables	791,755	237,269	1,029,024
Prepaid expenses	240,202	25,608	265,810
Total current assets	4,364,184	663,254	5,027,438
Noncurrent assets:			
Cash and investments	2,223,702	2,136,132	4,359,834
Net receivables	-	28,722	28,722
Internal balances	318,250	(318,250)	-
Long term receivables	203,500	-	203,500
Debt issuance costs	46,194	-	46,194
Capital assets not being depreciated	1,127,074	638,091	1,765,165
Capital assets being depreciated	9,755,834	6,960,203	16,716,037
Total noncurrent assets	13,674,554	9,444,898	23,119,452
Total assets	\$ 18,038,738	\$ 10,108,152	\$ 28,146,890
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 722,969	\$ 142,289	\$ 865,258
Other current liabilities	11,905	-	11,905
Compensated absences	15,000	36,778	51,778
Deposits	71,929	6,153	78,082
Capital lease due within one year	190,263	-	190,263
Total current liabilities	1,012,066	185,220	1,197,286
NONCURRENT LIABILITIES			
Compensated absences	55,863	-	55,863
Capital lease obligations due in more than one year	2,262,242	-	2,262,242
Total noncurrent liabilities	2,318,105	-	2,318,105
Total liabilities	3,330,171	185,220	3,515,391
NET ASSETS			
Invested in capital assets, net of related debt	8,476,597	7,598,294	16,074,891
Restricted for:			
Streets	295,167	-	295,167
Other purposes	164,512	541,297	705,809
Unrestricted	5,772,291	1,783,341	7,555,632
Total net assets	14,708,567	9,922,932	24,631,499
Total liabilities and net assets	\$ 18,038,738	\$ 10,108,152	\$ 28,146,890

See accompanying notes to the basic financial statements

TOWN OF YOUNTVILLE
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 485,137	\$ 2,223,702	\$ 2,847,090	\$ 5,555,929
Taxes receivable	701,173	-	-	701,173
Accounts receivable	4,870	-	-	4,870
Due from other governments	-	-	7,596	7,596
Accrued interest receivable	19,709	17,335	41,072	78,116
Prepayments	240,202	-	-	240,202
Loans to other funds	-	318,250	-	318,250
Long term receivables	-	-	203,500	203,500
Total assets	\$ 1,451,091	\$ 2,559,287	\$ 3,099,258	\$ 7,109,636
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 376,919	\$ 67,110	\$ 278,940	\$ 722,969
Other liabilities	11,905	-	-	11,905
Deposits	71,929	-	-	71,929
Deferred revenue	65,099	-	203,500	268,599
Total liabilities	525,852	67,110	482,440	1,075,402
Fund balances:				
Reserved	240,202	318,250	-	558,452
Unreserved, designated	100,241	-	-	100,241
Unreserved, undesignated	584,796	2,173,927	-	2,758,723
Unreserved reported in nonmajor:				
Capital projects fund	-	-	828,559	828,559
Special revenue funds	-	-	1,788,259	1,788,259
Total fund balances	925,239	2,492,177	2,616,818	6,034,234
Total liabilities and fund balances	\$ 1,451,091	\$ 2,559,287	\$ 3,099,258	\$ 7,109,636
Total Governmental Fund Balances				\$ 6,034,234
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				10,882,908
Long-term debt obligations and compensated absences are not due and payable in the current period and are therefore not recorded in the funds				(2,523,368)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred or not reported in the funds				314,793
Net Assets of Governmental Activities				\$ 14,708,567

See accompanying notes to the basic financial statements

TOWN OF YOUNTVILLE
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 425,896	\$ -	\$ -	\$ 425,896
Sales taxes	662,890	-	-	662,890
Transient occupancy taxes	3,231,799	-	-	3,231,799
Other taxes	92,982	-	-	92,982
Licenses and permits	111,288	-	-	111,288
Fines and forfeits	16,899	-	-	16,899
Intergovernmental	303,327	20,000	617,091	940,418
Interest and rents	70,219	84,956	140,490	295,665
Charges for services	172,551	-	532,939	705,490
Miscellaneous	27,864	-	11,979	39,843
Total revenues	5,115,715	104,956	1,302,499	6,523,170
EXPENDITURES				
Current:				
General government	1,220,350	-	-	1,220,350
Public safety	818,630	-	101,155	919,785
Public works	604,816	-	61,510	666,326
Community promotion	244,340	-	-	244,340
Community services	524,406	-	200,076	724,482
Debt service:				
Principal	-	-	185,898	185,898
Interest	-	-	78,632	78,632
Capital outlay	-	737,103	585,637	1,322,740
Total expenditures	3,412,542	737,103	1,212,908	5,362,553
Excess (deficiency) of revenues over expenditures	1,703,173	(632,147)	89,591	1,160,617
OTHER FINANCING SOURCES (USES)				
Transfers in	-	910,783	625,000	1,535,783
Transfers out	(1,636,255)	-	(339,528)	(1,975,783)
Total other financing sources (uses)	(1,636,255)	910,783	285,472	(440,000)
Net change in fund balances	66,918	278,636	375,063	720,617
Fund balances, July 1	858,321	2,213,541	2,241,755	5,313,617
Fund balances, June 30	<u>\$ 925,239</u>	<u>\$ 2,492,177</u>	<u>\$ 2,616,818</u>	<u>\$ 6,034,234</u>

See accompanying notes to the basic financial statements

TOWN OF YOUNTVILLE
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 720,617</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Changes in long-term obligations such as compensated absences are recorded in the funds when paid while they are reported in the statement of activities when incurred	(6,164)
Long-term receivables and assets not available for use are deferred in the funds, but are reported as revenues when reliazable in the statement of activities	12,646
Debt issuance costs are reported as outflows in the fund statements, but are capitalized in the statement of net assets and are amortized to expense over the life of the debt obligation	(4,200)
Payments to retire long-term debt are a use of current financial resources and are recorded as expenditures in the funds, but reduce liabilities in the statement of net assets and are therefore not reported in the statement of activities	185,898
Capital asset acqusions are reported as outflows in the fund statements but, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays(\$1,007,597) exceeded depreciation(\$288,109) in the current period.	<u>719,488</u>
Net differences	<u>907,668</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,628,285</u></u>

See accompanying notes to the basic financial statements

TOWN OF YOUNTVILLE
Statement of Net Assets
Proprietary Funds
June 30, 2007

	<u>Enterprise Funds</u>			Totals
	Water	Wastewater	Nonmajor Community Hall	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 183,190	\$ 191,331	\$ 25,856	\$ 400,377
Accounts receivable	135,835	81,993	14,961	232,789
Accrued interest receivable	1,373	2,413	694	4,480
Prepayments	9,072	16,536	-	25,608
Total current assets	329,470	292,273	41,511	663,254
Noncurrent assets:				
Other assets:				
Cash and cash equivalents	122,342	1,984,713	29,077	2,136,132
Accrued interest receivable	4,235	24,487	-	28,722
Internal balances - loans to other funds	-	224,385	-	224,385
Total other assets	126,577	2,233,585	29,077	2,389,239
Capital assets:				
Land and water rights	633,000	5,091	-	638,091
Buildings and improvements	40,001	27,444	921,133	988,578
Distribution and collection systems	2,729,104	6,597,741	-	9,326,845
Equipment	304,184	736,362	96,471	1,137,017
Less accumulated depreciation	(798,981)	(3,273,007)	(420,249)	(4,492,237)
Net capital assets	2,907,308	4,093,631	597,355	7,598,294
Total noncurrent assets	3,033,885	6,327,216	626,432	9,987,533
Total assets	\$ 3,363,355	\$ 6,619,489	\$ 667,943	\$ 10,650,787
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 113,961	\$ 15,647	\$ 12,681	\$ 142,289
Compensated absences	6,615	27,286	2,877	36,778
Deposits	-	-	6,153	6,153
Total current liabilities	120,576	42,933	21,711	185,220
Noncurrent liabilities:				
Internal balances - loans from other funds	542,635	-	-	542,635
Total liabilities	663,211	42,933	21,711	727,855
NET ASSETS				
Invested in capital assets, net of related debt	2,907,308	4,093,631	597,355	7,598,294
Restricted	-	541,297	-	541,297
Unrestricted	(207,164)	1,941,628	48,877	1,783,341
Total net assets	\$ 2,700,144	\$ 6,576,556	\$ 646,232	\$ 9,922,932

See accompanying notes to the basic financial statements

TOWN OF YOUNTVILLE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Community Hall</u>	
OPERATING REVENUES				
Charges for services	\$ 553,128	\$ 669,229	\$ 75,120	\$ 1,297,477
Total operating revenues	<u>553,128</u>	<u>669,229</u>	<u>75,120</u>	<u>1,297,477</u>
OPERATING EXPENSES				
Personnel services	140,252	355,104	85,817	581,173
Contractual services	53,678	98,295	8,599	160,572
Purchased water	502,409	-	-	502,409
Utilities	-	90,974	12,336	103,310
Repairs and maintenance	23,085	34,267	12,476	69,828
Other supplies and expenses	-	61,952	26,920	88,872
Insurance, claims, and expenses	5,279	13,472	3,225	21,976
Depreciation	73,210	156,886	27,985	258,081
Total operating expenses	<u>797,913</u>	<u>810,950</u>	<u>177,358</u>	<u>1,786,221</u>
Operating income (loss)	<u>(244,785)</u>	<u>(141,721)</u>	<u>(102,238)</u>	<u>(488,744)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(29,659)	-	-	(29,659)
Interest and investment revenue	13,533	106,415	3,024	122,972
Net non-operating revenues (expenses)	<u>(16,126)</u>	<u>106,415</u>	<u>3,024</u>	<u>93,313</u>
Income (loss) before contributions and transfers	<u>(260,911)</u>	<u>(35,306)</u>	<u>(99,214)</u>	<u>(395,431)</u>
Contributions and transfers:				
Capital contributions	219,026	378,471	-	597,497
Transfers in	415,000	-	75,000	490,000
Transfers out	(50,000)	-	-	(50,000)
Net contributions and transfers	<u>584,026</u>	<u>378,471</u>	<u>75,000</u>	<u>1,037,497</u>
Change in net assets	323,115	343,165	(24,214)	642,066
Total net assets, July 1	<u>2,377,029</u>	<u>6,233,391</u>	<u>670,446</u>	<u>9,280,866</u>
Total net assets, June 30	<u>\$ 2,700,144</u>	<u>\$ 6,576,556</u>	<u>\$ 646,232</u>	<u>\$ 9,922,932</u>

See accompanying notes to the basic financial statements

TOWN OF YOUNTVILLE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Community Hall</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 543,276	\$ 661,737	\$ 69,855	\$ 1,274,868
Payments to suppliers	(653,077)	(369,365)	(52,893)	(1,075,335)
Payments to employees	(140,803)	(353,591)	(85,843)	(580,237)
Net cash provided by (used for) operating activities	<u>(250,604)</u>	<u>(61,219)</u>	<u>(68,881)</u>	<u>(380,704)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interest paid interfund loan	(29,659)	-	-	(29,659)
Internal interfund loan	(122,365)	105,615	-	(16,750)
Transfers in	415,000	-	75,000	490,000
Transfers out	(50,000)	-	-	(50,000)
Net cash provided by noncapital financing activities	<u>212,976</u>	<u>105,615</u>	<u>75,000</u>	<u>393,591</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	219,026	378,471	-	597,497
Purchases of capital assets	(95,377)	-	(37,007)	(132,384)
Net cash provided by (used for) capital and related financing activities	<u>123,649</u>	<u>378,471</u>	<u>(37,007)</u>	<u>465,113</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest receipts	13,233	99,019	3,233	115,485
Net cash provided by investing activities	<u>13,233</u>	<u>99,019</u>	<u>3,233</u>	<u>115,485</u>
Net increase (decrease) in cash and cash equivalents	99,254	521,886	(27,655)	593,485
Balances-beginning of the year	<u>206,278</u>	<u>1,654,158</u>	<u>82,588</u>	<u>1,943,024</u>
Balances-end of the year	<u>\$ 305,532</u>	<u>\$ 2,176,044</u>	<u>\$ 54,933</u>	<u>\$ 2,536,509</u>

See accompanying notes to the basic financial statements

TOWN OF YOUNTVILLE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Community Hall</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (244,785)	\$ (141,721)	\$ (102,238)	\$ (488,744)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	73,210	156,886	27,985	258,081
Change in assets and liabilities:				
Receivables, net	(9,852)	(7,492)	(5,715)	(23,059)
Prepayments	(7,949)	(15,381)	289	(23,041)
Accounts and other payables	(60,677)	(55,024)	10,824	(104,877)
Accrued expenses	(551)	1,513	(26)	936
	<u>(551)</u>	<u>1,513</u>	<u>(26)</u>	<u>936</u>
Net cash provided by (used for) operating activities	<u>\$ (250,604)</u>	<u>\$ (61,219)</u>	<u>\$ (68,881)</u>	<u>\$ (380,704)</u>

Noncash capital financing activities:
None.

See accompanying notes to the basic financial statements

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Yountville is a municipal corporation governed by an elected mayor and four-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The Town has no component units.

The Town provides customary municipal services including general governmental activities, police and fire protection, streets, maintenance, parks and recreation activities, water and wastewater utility services. Public safety police and fire services are provided to the Town through contractual arrangements with the County of Napa. Accordingly, the Town does not employ resident public safety personnel.

The Town and State of California, Department of Veterans Affairs, have an agreement, which provides for the operation of a joint wastewater treatment facility. Under the agreement, the Town purchased the State's then existing treatment plant and land for a price equal to 50 percent of its sewage treatment plant and facility. Under the agreement, the Town's plant is to provide capacity in the treatment facility for a maximum daily flow capacity not to exceed one million gallons per day originating from the Veterans Home of California. Under the agreement, the State of California is to pay an annual service charge to the Town for a prorata share of the cost of operating and maintaining the Town's treatment facility. The State of California is also to pay annually to the Town capital replacement charges, which are to be matched in an equal amount by the Town.

The Town and Veterans Home of California also have a water purchase agreement whereby the Town purchases water from the Veterans Home for use in the Town's municipal water enterprise. The Town's obligations to pay for purchased water are allowed to be offset against the obligations of the State of California to the Town for sewage treatment services purchased by the State.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, transient occupancy taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital project fund* accounts for the resources accumulated for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

The government reports the following major proprietary funds:

The *water and wastewater funds* account for the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 Town's water and wastewater enterprise funds are charges to the customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees, connection fees and impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the Town are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Napa collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The Town receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the Town. The Town recognizes property tax revenues in the fiscal year in which they are due to the Town.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (\$25,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Under the GASB 34 Implementation Rules, the Town was not required to record infrastructure assets existing or acquired prior to July 1, 2002; and the Town has not recorded such assets. The Town may elect to record such infrastructure assets in the future.

The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15-20
Public domain infrastructure	50
System infrastructure	50-100
Vehicles	7
Office equipment	3-7
Computer equipment	3-5

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Town does not have a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements or the Town believes it will have to use current resources to liquidate such obligations.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$ 10,882,908 difference are as follows:

Capital assets	\$ 12,438,306
Less: Accumulated depreciation	<u>(1,555,398)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 10,882,908</u>

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$ 719,488 difference are as follows:

Capital outlay	\$ 1,007,597
Depreciation expense	<u>(288,109)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 719,488</u>

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis of consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of each fiscal year, all agencies of the Town submit requests for appropriations to the Town Administrator so that a budget may be prepared. Before June 30, the proposed budget is presented to the council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function, and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the general fund were not material. Encumbrance accounting is not employed in governmental funds. The general fund budgetary comparison schedule reflects total charges to appropriations were \$240,797 in excess of appropriations; this was solely the result of year end transfers out exceeding budgetary estimates.

Two nonmajor fund exceeded its expenditure budgets. Expenditure budgets were exceeded by the Flood Mitigation Fund (\$237), COPS Fund (\$235), Street Reserve Fund (\$152), and the Housing Opportunity Fund (\$15,451). These over expenditures were funded from available resources.

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

4. Detailed Notes on All Funds

A. Deposits and Investments

At year-end, the Town's deposits and investments consisted of:

Deposits	\$ (374,802)
Investments	8,467,240
Totals	\$ 8,092,438

Custodial Credit Risk - Deposits. Custodial credit risk for deposits is the risk, that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for deposits is that they will be made in institutions in California, they shall be insured or collateralized with United States backed securities. At June 30, 2007, \$77,045 of the Town's bank balances of \$177,045 were exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's agent but not in the Town's name:	<u>\$77,045</u>
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Investments - At June 30, 2007, the Town had the following investments:

Investment	Average Maturity	Fair Value
Local Agency Investment Fund	Average 176 Days	\$8,467,240
Total investments		\$8,467,240

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from interest rates, the Town's investment policy limits Town investments to maturities prescribed in Sections 53600 to 53609 of the Government Code.

Credit Risk - State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the Town's policy to comply with State law as regards securities ratings. The LAIF also complies with those limitations prescribed by State Law. The LAIF was unrated by statistical rating organizations.

Custodial Credit Risk - Investments For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or the collateral securities that are in the possession of an outside party. None of the Town's investments were invested in specific securities. All monies were invested in the LAIF with such investment not being evidenced by specific securities; and therefore not subject to custodial credit risk.

Restricted and unrestricted cash and investments consisted of amounts available for operations and amounts restricted by law or regulation or set aside by formal Town policy for capital improvements as follows:

	Fair Value
Governmental Activities:	
Unrestricted cash and investments	\$3,332,227
Restricted :	
Town capital project fund	2,223,702
BusinessType Activities	
Unrestricted cash and investments	400,377
Restricted:	
Water and wastewater capital accounts	2,107,055
Community Hall capital account	29,077
Total cash and investments	\$8,092,438

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

4. Detailed Notes on All Funds (Continued)

B. Receivables

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Nonmajor Funds	Total Governmental Activities	Business Type Activities
Receivables:					
Interest	\$ 19,709	\$ 17,335	\$ 41,072	\$ 78,116	\$ 4,480
Taxes	701,173	-	-	701,173	-
Accounts	4,870	-	-	4,870	232,789
Loans, long-term	-	-	203,500	203,500	-
Intergovernmental	-	-	7,596	7,596	-
Net total receivables	<u>\$ 725,752</u>	<u>\$ 17,335</u>	<u>\$ 252,168</u>	<u>\$ 995,255</u>	<u>\$ 237,269</u>

Revenues of the water and wastewater enterprises are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are not material at year-end.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable
Unearned revenue	\$ 65,099
Long-term notes receivable	203,500
Total deferred revenue for governmental funds	<u>\$ 268,599</u>

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

4. Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 829,866	\$ -	\$ -	\$ 829,866
Construction in progress	743,804	796,841	(1,243,437)	297,208
	<u>1,573,670</u>	<u>796,841</u>	<u>(1,243,437)</u>	<u>1,127,074</u>
Capital assets, being depreciated:				
Buildings	545,062	-	-	545,062
Improvements other than buildings	777,809	1,343,759	-	2,121,568
Infrastructure	7,642,505	110,434	-	7,752,939
Machinery and equipment	891,663	-	-	891,663
	<u>9,857,039</u>	<u>1,454,193</u>	<u>-</u>	<u>11,311,232</u>
Less accumulated depreciation for:				
Buildings	(254,782)	(17,397)	-	(272,179)
Infrastructure systems	(236,327)	(192,980)	-	(429,307)
Improvements other than buildings	(174,894)	(27,734)	-	(202,628)
Machinery and equipment	(601,286)	(49,998)	-	(651,284)
	<u>(1,267,289)</u>	<u>(288,109)</u>	<u>-</u>	<u>(1,555,398)</u>
Total capital assets, being depreciated, net	<u>8,589,750</u>	<u>1,166,084</u>	<u>-</u>	<u>9,755,834</u>
Governmental activities capital assets, net	<u>\$10,163,420</u>	<u>\$ 1,962,925</u>	<u>\$ (1,243,437)</u>	<u>\$10,882,908</u>

Construction in progress of \$297,208 relates primarily to design and start costs for the new community center project.

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

4. Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,091	\$ -	\$ -	\$ 5,091
Water rights	633,000	-	-	633,000
Total capital assets, not being depreciated	638,091	-	-	638,091
Capital assets, being depreciated:				
Buildings	980,183	8,395	-	988,578
Systems	9,231,466	95,379	-	9,326,845
Machinery and equipment	1,108,407	28,610	-	1,137,017
Total capital assets, being depreciated	11,320,056	132,384	-	11,452,440
Less accumulated depreciation for:				
Buildings	(255,214)	(9,132)	-	(264,346)
Systems	(3,473,288)	(229,949)	-	(3,703,237)
Machinery and equipment	(505,654)	(19,000)	-	(524,654)
Total accumulated depreciation	(4,234,156)	(258,081)	-	(4,492,237)
Total capital assets, being depreciated, net	7,085,900	(125,697)	-	6,960,203
Business-type activities capital assets, net	\$ 7,723,991	\$ (125,697)	\$ -	\$ 7,598,294

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:

General government	\$ 18,797
Infrastructure and public works	206,233
Public safety	10,429
Community services	52,650

Total depreciation expense-governmental activities \$ 288,109

Business-type activities:

Water	\$ 73,210
Wastewater	156,886
Community hall	27,985

Total depreciation expense-business-type activities \$ 258,081

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

4. Detailed Notes on All Funds (Continued)

D. Commitments

The Town has an active commitment as of June 30, 2007. The project includes the acquisition of water rights. At year-end the government's commitments as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Acquisition of rights to receive up to 250 acre feet of water annually	\$ -	\$ 332,000
Total	<u>\$ -</u>	<u>\$ 332,000</u>

The acquisition of the water rights is being funded by existing resources from the water enterprise fund.

E. Interfund Receivables, Payables, and Transfers

1. The composition of interfund balances of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advances to/from other funds:		
Loans to other funds:		
Wastewater	Water enterprise	\$ 224,385
Capital projects	Water enterprise	<u>318,250</u>
Total		<u>\$ 542,635</u>

2. Interfund transfers at June 30, 2007 were as follows:

	<u>Transfers In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental</u>	<u>Enterprise Funds</u>	
<u>Transfers out:</u>					
General fund	\$ -	\$ 571,255	\$ 625,000	\$ 440,000	\$ 1,636,255
Capital projects fund	-	-	-	-	-
Nonmajor funds	-	<u>339,528</u>	-	-	<u>339,528</u>
Total transfers out	<u>\$ -</u>	<u>\$ 910,783</u>	<u>\$ 625,000</u>	<u>\$ 440,000</u>	<u>\$ 1,975,783</u>

The \$571,255 transfer out of the general fund and into the capital projects fund was made pursuant to the Town's policy of transferring excess general fund monies to this fund to provide monies for future capital and infrastructure projects. The \$625,000 general fund transfer out was made to set aside an additional \$100,000 in the Town's Street Reserve Fund, additional \$90,000 in the Housing Opportunity Fund and \$435,000 to the community hall project fund. An additional \$440,000 was transferred out of the general fund with \$365,000 going into the water enterprise fund and \$75,000 into the Community Hall enterprise as an operating and capital subsidy.

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

4. Detailed Notes on All Funds (Continued)

F. Long-Term Debt

The Town in fiscal year 2004 entered into a capital leasing arrangement with Zions First National Bank in an original amount of \$2,820,651 for the purpose of obtaining additional funding for the design and construction of a floodwall barrier within the Town to mitigate wet season flooding. Under the arrangement, the Town entered into a site lease and a lease agreement with the bank wherein the Town effectively agreed to make lease payments to the bank in exchange for the financing of the project. The lease bears interest in two components with a fixed rate component having rates of 1.813 % to 3.790 % on an initial principal balance of \$1,828,997 which amount will fully amortize over ten years with the final principal maturing on February 1, 2014. The other component is a variable rate on an initial principal balance of \$991,654 and is payable interest only to August 1, 2014 and then fully amortizes the principal balance over the remaining four years. The variable component bears interest at 2.626 percent through February 1, 2009. On February 1, 2009 and 2014, the interest rate is to be adjusted equal to 85 percent of a specified index rate.

The Town has pledged as security for repayment of the lease, all tax revenues under a funding agreement with the Napa County Flood Protection and Watershed Improvement Authority. Under the agreement, Measure A Funds (a local special tax levied on a County wide-basis and allocated to jurisdictions within the County) are to be allocated to the Town in amounts sufficient to enable the Town to make the required lease payments.

Future debt service on the lease is as follows:

Fiscal Year	Minimum Lease Payments
2008	\$ 262,780
2009	262,780
2010	286,194
2011	286,194
2012	286,194
2013-2017	1,416,956
2018	268,045
Total minimum lease payments	3,069,143
Less amount representing interest	(616,638)
Net present value of future minimum lease payments	\$ 2,452,505

Changes in long-term obligations of the Town for fiscal year 2007 were as follows:

	Beginning of year	Additions	Deletions	End of Year Balance	Due in One Year
Capital lease	\$2,638,403	\$ -	\$185,898	\$ 2,452,505	\$190,263
Compensated absences	64,699	21,164	15,000	70,863	15,000
Totals	\$2,703,102	\$ 21,164	\$200,898	\$ 2,523,368	\$205,263

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

5. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town obtains insurance coverages.

The Town is a member of the Public Agency Risk Sharing Authority of California, a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, workers compensation, and property claims. Under the program, the Town has a \$10,000 retention limit similar to a deductible with the Authority being responsible for losses above that amount up to \$990,000. The Authority carries a purchased excess commercial liability policy of \$9 million in excess of its \$1 million retention limit to cover losses up to \$10 million. The Authority also provides \$750 million aggregate per occurrence property coverage to its members with such coverage provided by purchased insurance.

The Authority covers workers compensation claims up to its self-insurance limit of \$250,000. The Local Agency Workers Compensation Excess Pool provides excess coverage for an additional \$750,000. The Authority purchases commercial coverage for an additional \$24 million. The Town pays an annual premium to the Authority; the Town may share in any surplus revenues or may be required to pay additional assessments based upon the Authority's operating results.

There is no Town deductible for the workers compensation insurance coverage, thus all losses are paid by the Authority on a first-dollar basis. The Town paid no material uninsured losses during the 2006-2007 fiscal year. Financial statements of the Risk Sharing Authority may be obtained from their administrative offices located at 1525 Response Road, Suite One, Sacramento, California 95815.

Liabilities of the Town are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended <u>6/30/2006</u>	Year Ended <u>6/30/2007</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	-	-
Claim payments	-	-
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

5. Other Information (Continued)

B. Contingencies and Commitments

Litigation. The Town is involved in litigation incurred in the normal course of conducting Town business. The Town is involved in one case in regard to flood damages being claimed by mobile home park residents. The Town expects to settle this litigation by building a flood wall in lieu of paying settlements. The Town also expects that the majority of the flood wall costs will be funded by a federal grant. Town management believes that, based upon consultation with its counsel, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Town.

Joint Sewage Treatment Plant. Under its agreement with the State of California, the Town is obligated to provide capacity in its treatment facility for a maximum daily flow capacity not to exceed one million gallons per day originating from the Veterans Home of California. The annual operations and maintenance budget of the Town's sewer enterprise is subject to approval by the State. The State is also required to approve any expansion of the treatment facility.

The State shall annually pay to the Town an amount equal to the State's share of the capital recovery cost of the joint sewage treatment facility. The Town is obligated to contribute an annual capital recovery amount equal to the States share of the capital recovery cost of the joint sewage treatment facility. The State's contributions and related investment earnings are restricted for use only upon those portions of the treatment facilities that benefit the State.

The Town's obligations to maintain, operate, and provide for replacement of the treatment facility are continuous subject to a three-year advance notice termination clause. Upon such termination, all facilities acquired from the State and subsequent improvements made by the Town revert to and become the property of the State of California.

C. Jointly Governed Organizations

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. The Town is a participant in the following organizations:

Public Agency Risk Sharing Authority of California. The Town of Yountville is a member of Public Agency Risk Sharing Authority of California. The Authority, under the terms of a Joint Powers Agreement with the Town of Yountville and several other cities and governmental agencies, provides insurance coverage for general liability, automobile liability, and workers compensation claims.

Under the arrangement, the Authority purchases liability, automobile liability, and workers compensation insurance and charges participating cities and governmental agencies in amounts planned to match expenses of insurance premiums, estimated payments resulting from self-insurance programs, and operating expenses. The Town's obligations are limited to contributions to pay for related insurance premiums.

Napa Valley Housing Authority. The Town is a member of the Napa Valley Housing Authority created to provide subsidized public housing and related assistance. The Authority was created pursuant to a Joint Powers Agreement, and the Town's obligations are limited to providing funds for a prorata share of the Authority's operating costs.

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

5. Other Information (Continued)

C. Jointly Governed Organizations (Continued)

Upper Valley Waste Management Agency. The Town is a member of the Agency along with the City of Calistoga, City of St. Helena, and County of Napa. The Agency was formed to provide for economical regional waste management services including uniform rate reviews. Funding for operations is provided from a surcharge placed on landfill dumping fees.

Napa County Congestion Management Agency. The Town is a member of this Joint Powers Agency formed for the purpose of developing transportation planning throughout the County. The Town's obligation is limited to serving on the Agency's committees.

Transit Services Arrangement. The Town is party to an agreement with the City of Calistoga, City of Napa, County of Napa, and the Volunteer Center of Napa County (a private nonprofit organization) for the purpose of providing transit-related services within the County. The Town's funding requirement is met by assignment of its TDA transit fund allocation to the County of Napa.

Flood Protection Sales Tax Joint Powers Agreement. The Town is a member of the Joint Powers Agency for the purpose of establishing a plan for the use and equitable distribution of the 1/2% Flood Protection Sales Tax which was passed by voters in March 1998. As a member the Town will receive allocations of the sales tax to be used for projects outlined in the agreement.

D. Other Post-Employment Benefits

The government provides post retirement health insurance benefits, as per the requirements of a local ordinance, for certain retirees and their dependents. The benefits vary depending upon a retiree's years of service. The government pays 100 percent of the premiums of health coverage for employees who retire with 30 years of full-time service. For the fiscal year ended June 30, 2007, there were 5 employees receiving such benefits and the Town paid \$50,470 in premiums. The Town funds these costs on a pay as you go basis.

E. Public Employees Retirement System

Plan Description. The Town of Yountville contributes to the California Public Employees Retirement System, a cost sharing multiple-employer, public employee, defined- benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and Town ordinance. The PERS issues publicly available financial reports that include the financial statements and required supplementary information for the PERS. Copies of PERS annual financial reports may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

Funding Policy and Annual Pension Cost. Regular plan members are required to contribute 7.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate was 17.851 percent of covered payroll. The contribution requirements of plan members and the Town are established by and may be amended by PERS. The Town's annual pension cost for the most recent three years is as follows:

TOWN OF YOUNTVILLE
Notes to the Basic Financial Statements
June 30, 2007

5. Other Information (Continued)

E. Public Employees Retirement System (Continued)

Three-year Trend of Information

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
Regular employees	6/30/05	\$ 181,095	100%	\$ -
	6/30/06	\$ 229,427	100%	\$ -
	6/30/07	\$ 236,039	100%	\$ -

F. Restricted Net Assets , Designated and Reserved Fund Balances

The \$459,679 restricted amount in the governmental activities statement net assets represent amounts to be used only for specific purposes which restrictions are imposed by laws or other governments. The \$541,297 restricted for business-type activities represents spendable net assets in the sewer joint recovery fund whose use is restricted by Agreement with the State of California. The \$100,241 designated fund balance in the general fund is earmarked for insurance and employee post retirement health benefits. The \$2,173,927 designated fund balance in the Capital Projects Fund represents amounts specified for future capital projects.

The \$240,202 reserved fund balance in the general fund relates to prepayments made for fiscal year 2008. The \$318,250 reserved fund balance in the Capital Projects Fund consists of \$318,250 for a loan made to the City's water enterprise.

G. Subsequent Events

In January of 2008, the Town approved plans and specifications for a Community Center and Town Center project, authorized staff to obtain construction bid information for the project, established \$669,000 as the maximum annual debt service amount for purposes of obtaining construction financing for the project, and authorized staff to research the use of general fund backed certificates of participation as a source of construction financing for the project.

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Required Supplementary Information

Required Supplementary Information
TOWN OF YOUNTVILLE
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 890,360	\$ 858,321	\$ 858,321	\$ -
Resources (inflows):				
Property taxes	411,000	426,400	425,896	(504)
Sales taxes	496,000	649,000	662,890	13,890
Transient occupancy taxes	3,110,000	3,200,000	3,231,799	31,799
Other taxes	83,000	83,000	92,982	9,982
License permits	53,000	114,000	111,288	(2,712)
Fines and forfeits	11,000	13,000	16,899	3,899
Interest and rents	39,400	67,200	70,219	3,019
Intergovernmental	278,200	303,200	303,327	127
Charges for services	184,400	164,900	172,551	7,651
Miscellaneous	19,000	25,000	27,864	2,864
Amounts available for charges to appropriations	<u>5,575,360</u>	<u>5,904,021</u>	<u>5,974,036</u>	<u>70,015</u>
Charges to appropriations:				
General government:				
Town Council	34,100	34,100	29,236	4,864
Town Clerk	119,300	108,200	95,087	13,113
Town Attorney	72,600	62,600	57,955	4,645
Planning	304,400	300,300	296,751	3,549
General government buildings	74,600	74,900	70,139	4,761
Financial administration	198,900	214,500	197,986	16,514
Town manager	195,000	258,100	253,881	4,219
Nondepartmental	168,700	182,100	168,845	13,255
Retiree medical	53,000	53,000	50,470	2,530
Liability insurance	10,000	10,000	-	10,000
Public safety:				
Sheriff services	481,300	481,300	432,414	48,886
Fire services	393,000	387,000	386,216	784
Public works:				
Administration	180,300	206,100	203,399	2,701
Street maintenance	186,600	187,100	177,327	9,773
Park maintenance	227,600	230,600	224,090	6,510
Community promotion:				
Community support	252,400	252,400	244,340	8,060
Community services:				
Community services	330,600	347,900	345,419	2,481
Summer day camp	54,800	59,800	55,448	4,352
Afterschool programs	62,000	54,400	53,721	679
Summer pool	38,200	74,000	69,818	4,182
Transfers out	1,217,000	1,229,600	1,636,255	(406,655)
Total charges to appropriations	<u>4,654,400</u>	<u>4,808,000</u>	<u>5,048,797</u>	<u>(240,797)</u>
Fund Balance, June 30	<u>\$ 920,960</u>	<u>\$ 1,096,021</u>	<u>\$ 925,239</u>	<u>\$ (170,782)</u>

**Required Supplementary Information
TOWN OF YOUNTVILLE
Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2007**

Note A. Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and expenditures:

Sources/inflows resources:

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 5,974,036
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Differences - budget to GAAP:

The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(858,321)
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Transfers in are a budgetary resource but are not a current year revenue for financial reporting purposes	<hr style="width: 100%; border: 0.5px solid black;"/> -
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Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 5,115,715</u></u>
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Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 5,048,797
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Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<hr style="width: 100%; border: 0.5px solid black;"/> (1,636,255)
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Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 3,412,542</u></u>
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Optional Supplementary Information

Nonmajor Funds' Combining Financial Statements and Schedules, Comparative Proprietary Funds' Financial Statements, and Schedules of Capital Assets used in Governmental Activities



TOWN OF YOUNTVILLE
Combining Balance Sheet
NonMajor Governmental Funds
June 30, 2007

Special Revenue Funds								
	Gas Tax	Flood Mitigation	Transit fund	Utility Undergrounding	Housing Opportunity	Tallent Lane Drainage	Mesa Court Drainage	Disaster O&M
Assets								
Cash and investments	\$ 207,826	\$ 190,844	\$ -	\$ 80,025	\$ 971,723	\$ 2,099	\$ 14,687	\$ 37,750
Receivables:								
Receivables from other governments	7,596	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	203,500	-	-	-
Interest receivable	2,578	2,486	-	1,042	13,119	27	191	638
Total assets	<u>\$ 218,000</u>	<u>\$ 193,330</u>	<u>\$ -</u>	<u>\$ 81,067</u>	<u>\$ 1,188,342</u>	<u>\$ 2,126</u>	<u>\$ 14,878</u>	<u>\$ 38,388</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 20,904	\$ -	\$ -	\$ -	\$ 25,622	\$ -	\$ -	\$ 14,127
Advances from other funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	203,500	-	-	-
Total liabilities	<u>20,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,122</u>	<u>-</u>	<u>-</u>	<u>14,127</u>
Fund balances:								
Reserved	-	-	-	-	-	-	-	-
Unreserved	197,096	193,330	-	81,067	959,220	2,126	14,878	24,261
Total fund balances	<u>197,096</u>	<u>193,330</u>	<u>-</u>	<u>81,067</u>	<u>959,220</u>	<u>2,126</u>	<u>14,878</u>	<u>24,261</u>
Total liabilities and fund balances	<u>\$ 218,000</u>	<u>\$ 193,330</u>	<u>\$ -</u>	<u>\$ 81,067</u>	<u>\$ 1,188,342</u>	<u>\$ 2,126</u>	<u>\$ 14,878</u>	<u>\$ 38,388</u>

TOWN OF YOUNTVILLE
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Impact Fees	COPS	Fire Services	Youth Programs	CLEEPS Grant	Street Reserve Fund	Community Center Capital Project	Debt Service	
Assets									
Cash and investments	\$ 4,932	\$ -	\$ 38,742	\$ 21,972	\$ -	\$ 379,662	\$ 896,792	\$ 36	\$ 2,847,090
Receivables:				-					
Receivables from other governments	-	-	-	-	-	-	-	-	7,596
Notes receivable	-	-	-	-	-	-	-	-	203,500
Interest receivable	4,483	-	504	252	-	4,796	10,956	-	41,072
Total assets	\$ 9,415	\$ -	\$ 39,246	\$ 22,224	\$ -	\$ 384,458	\$ 907,748	\$ 36	\$ 3,099,258
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,098	\$ 79,189	\$ -	\$ 278,940
Advances from other funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	203,500
Total liabilities	-	-	-	-	-	139,098	79,189	-	482,440
Fund balances:									
Reserved	-	-	-	-	-	-	-	36	36
Unreserved	9,415	-	39,246	22,224	-	245,360	828,559	-	2,616,782
Total fund balances	9,415	-	39,246	22,224	-	245,360	828,559	36	2,616,818
Total liabilities and fund balances	\$ 9,415	\$ -	\$ 39,246	\$ 22,224	\$ -	\$ 384,458	\$ 907,748	\$ 36	\$ 3,099,258

TOWN OF YOUNVILLE
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007

Special Revenue Funds								
	Gas Tax	Flood Mitigation	Transit fund	Utility Undergrounding	Housing Opportunity	Tallent Lane Drainage	Mesa Court Drainage	Disaster O&M
Revenues:								
Intergovernmental	\$ 106,454	\$ 53,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,882
Charges for services	-	-	-	5,666	186,631	-	-	-
Interest	11,070	8,828	-	3,957	46,274	104	733	2,623
Contributions	-	-	-	-	-	-	-	-
Total revenues	117,524	62,288	-	9,623	232,905	104	733	95,505
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	-	-
Public works	9,047	-	-	-	-	-	-	52,463
Community services	-	-	-	-	196,951	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay	133,980	237	-	4,060	-	-	-	-
Total expenditures	143,027	237	-	4,060	196,951	-	-	52,463
Excess (deficiency) of revenues over expenditures	(25,503)	62,051	-	5,563	35,954	104	733	43,042
Other financing sources (uses):								
Transfers in	-	-	-	-	90,000	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	90,000	-	-	-
Net change in fund balances	(25,503)	62,051	-	5,563	125,954	104	733	43,042
Fund balances, July 1	222,599	131,279	-	75,504	833,266	2,022	14,145	(18,781)
Fund balances, June 30	\$ 197,096	\$ 193,330	\$ -	\$ 81,067	\$ 959,220	\$ 2,126	\$ 14,878	\$ 24,261

TOWN OF YOUNTVILLE
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007

	Special Revenue Funds							Community Center Capital Project	Debt Service	Total Nonmajor Governmental Funds
	Impact Fees	COPS	Fire Services	Youth Programs	CLEEPS Grant	Street Reserve Fund				
Revenues:										
Intergovernmental	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,295	\$ 617,091	
Charges for services	340,642	-	-	-	-	-	-	-	532,939	
Interest	6,390	1,035	1,926	707	-	17,011	39,561	271	140,490	
Contributions	-	-	-	11,979	-	-	-	-	11,979	
Total revenues	347,032	101,035	1,926	12,686	-	17,011	39,561	264,566	1,302,499	
Expenditures:										
Current:										
Public safety	-	101,155	-	-	-	-	-	-	101,155	
Public works	-	-	-	-	-	-	-	-	61,510	
Community services	-	-	-	3,125	-	-	-	-	200,076	
Debt service:										
Principal	-	-	-	-	-	-	-	185,898	185,898	
Interest and fiscal charges	-	-	-	-	-	-	-	78,632	78,632	
Capital outlay	-	-	-	-	-	150,152	297,208	-	585,637	
Total expenditures	-	101,155	-	3,125	-	150,152	297,208	264,530	1,212,908	
Excess (deficiency) of revenues over expenditures	347,032	(120)	1,926	9,561	-	(133,141)	(257,647)	36	89,591	
Other financing sources (uses):										
Transfers in	-	-	-	-	-	100,000	435,000	-	625,000	
Transfers out	(339,528)	-	-	-	-	-	-	-	(339,528)	
Total other financing sources (uses)	(339,528)	-	-	-	-	100,000	435,000	-	285,472	
Net change in fund balances	7,504	(120)	1,926	9,561	-	(33,141)	177,353	36	375,063	
Fund balances, July 1	1,911	120	37,320	12,663	-	278,501	651,206	-	2,241,755	
Fund balances, June 30	\$ 9,415	\$ -	\$ 39,246	\$ 22,224	\$ -	\$ 245,360	\$ 828,559	\$ 36	\$ 2,616,818	

TOWN OF YOUNTVILLE
Gas Tax Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Gas tax 2105	\$ 25,000	\$ 25,000	\$ 24,699	\$ (301)
Gas tax 2106	18,000	18,000	17,599	(401)
Gas tax 2107 and 2107.5	33,000	33,000	34,017	1,017
Other state allocations	-	30,100	30,139	39
Interest	<u>7,000</u>	<u>10,000</u>	<u>11,070</u>	<u>1,070</u>
Total revenues	<u>83,000</u>	<u>116,100</u>	<u>117,524</u>	<u>1,424</u>
Expenditures:				
Current:				
Public works:				
Street maintenance	18,500	26,000	9,047	16,953
Capital projects	<u>125,000</u>	<u>126,100</u>	<u>133,980</u>	<u>(7,880)</u>
Total expenditures	<u>143,500</u>	<u>152,100</u>	<u>143,027</u>	<u>9,073</u>
Net change in fund balance	(60,500)	(36,000)	(25,503)	10,497
Fund balance, July 1	<u>187,817</u>	<u>222,599</u>	<u>222,599</u>	-
Fund balance, June 30	<u>\$ 127,317</u>	<u>\$ 186,599</u>	<u>\$ 197,096</u>	<u>\$ 10,497</u>

TOWN OF YOUNTVILLE
Flood Mitigation Grant Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ -	\$ 53,500	\$ 53,460	\$ (40)
Interest	4,000	8,000	8,828	828
Contributions	-	-	-	-
County grants	-	-	-	-
Total revenues	<u>4,000</u>	<u>61,500</u>	<u>62,288</u>	<u>788</u>
Expenditures:				
Current:				
Public works:				
Capital projects				
Capital outlay	-	-	237	(237)
Total expenditures	<u>-</u>	<u>-</u>	<u>237</u>	<u>(237)</u>
Net change in fund balance	4,000	61,500	62,051	551
Fund balance, July 1	<u>128,252</u>	<u>131,279</u>	<u>131,279</u>	<u>-</u>
Fund balance, June 30	<u>\$ 132,252</u>	<u>\$ 192,779</u>	<u>\$ 193,330</u>	<u>\$ 551</u>

TOWN OF YOUNTVILLE
Transit
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges services-fares	-	-	-	-
Interest	-	-	-	-
Contributions	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Community services				
Maintenance	-	-	-	-
Contracts	-	-	-	-
Advertising	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
Fund balance, June 30	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ -</u>

TOWN OF YOUNTVILLE
Utility Undergrounding
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges services-impact fees	\$ 5,000	\$ 6,000	\$ 5,666	\$ (334)
Contributions	-	-	-	764
Interest	<u>3,000</u>	<u>3,500</u>	<u>3,957</u>	<u>457</u>
Total revenues	<u>8,000</u>	<u>9,500</u>	<u>9,623</u>	<u>887</u>
Expenditures:				
Current:				
Public works:				
Undergrounding	<u>75,000</u>	<u>75,000</u>	<u>4,060</u>	<u>70,940</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>4,060</u>	<u>70,940</u>
Excess(deficiency) of revenues over expenditures	<u>(67,000)</u>	<u>(65,500)</u>	<u>5,563</u>	<u>71,827</u>
Other financing sources(uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(67,000)</u>	<u>(65,500)</u>	<u>5,563</u>	<u>71,827</u>
Fund balance, July 1	<u>74,455</u>	<u>75,504</u>	<u>75,504</u>	<u>-</u>
Fund balance, June 30	<u>\$ 7,455</u>	<u>\$ 10,004</u>	<u>\$ 81,067</u>	<u>\$ 71,827</u>

TOWN OF YOUNTVILLE
Housing Opportunity Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 30,000	\$ 46,700	\$ 46,274	\$ (426)
Charges for services:				
Development fees	10,000	186,600	186,631	31
Total revenues	<u>40,000</u>	<u>233,300</u>	<u>232,905</u>	<u>(395)</u>
Expenditures:				
Current:				
Community services:				
Affordable housing	33,000	181,500	196,951	(15,451)
Total expenditures	<u>33,000</u>	<u>181,500</u>	<u>196,951</u>	<u>(15,451)</u>
Excess (deficiency) of revenues over expenditures	<u>7,000</u>	<u>51,800</u>	<u>35,954</u>	<u>(15,846)</u>
Other financing sources (uses):				
Transfer in	50,000	90,000	90,000	-
Net change in fund balance	57,000	141,800	125,954	(15,846)
Fund balance, July 1	<u>998,871</u>	<u>833,266</u>	<u>833,266</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,055,871</u>	<u>\$ 975,066</u>	<u>\$ 959,220</u>	<u>\$ (15,846)</u>

TOWN OF YOUNTVILLE
Tallent Lane Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 100	\$ 100	\$ 104	\$ 4
Total revenues	<u>100</u>	<u>100</u>	<u>104</u>	<u>4</u>
Expenditures:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	100	100	104	4
Fund balance, July 1	<u>2,333</u>	<u>2,022</u>	<u>2,022</u>	<u>-</u>
Fund balance, June 30	<u>\$ 2,433</u>	<u>\$ 2,122</u>	<u>\$ 2,126</u>	<u>\$ 4</u>

TOWN OF YOUNTVILLE
Mesa Court Drainage Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Development fees	\$ -	\$ -	\$ -	\$ -
Interest	400	500	733	233
Total revenues	<u>400</u>	<u>500</u>	<u>733</u>	<u>233</u>
Expenditures:				
Current:				
Public works:				
Storm drains	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	400	500	733	233
Fund balance, July 1	<u>11,453</u>	<u>14,145</u>	<u>14,145</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 11,853</u></u>	<u><u>\$ 14,645</u></u>	<u><u>\$ 14,878</u></u>	<u><u>\$ 233</u></u>

TOWN OF YOUNTVILLE
Disaster O&M Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State grant	\$ 29,300	\$ 92,900	\$ 92,882	\$ (18)
Interest	-	2,000	2,623	623
Total revenues	<u>29,300</u>	<u>94,900</u>	<u>95,505</u>	<u>605</u>
Expenditures:				
Current:				
Public works	31,300	106,700	52,463	54,237
Capital outlay:				
Equipment	-	-	-	-
Total expenditures	<u>31,300</u>	<u>106,700</u>	<u>52,463</u>	<u>54,237</u>
Excess (deficiency) of revenues over expenditures	<u>(2,000)</u>	<u>(11,800)</u>	<u>43,042</u>	<u>54,842</u>
Other financing sources (uses):				
Transfers in	<u>2,000</u>	-	-	-
Total other financing sources	<u>2,000</u>	-	-	-
Net change in fund balance	-	(11,800)	43,042	54,842
Fund balance, July 1	<u>-</u>	<u>(18,781)</u>	<u>(18,781)</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ (30,581)</u>	<u>\$ 24,261</u>	<u>\$ 54,842</u>

TOWN OF YOUNTVILLE
Impact Fees Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Civic facility impact fees	\$ 62,100	\$ 47,100	\$ 46,690	\$ (410)
Drainage impact fees	12,900	8,400	8,396	(4)
Parks impact fees	5,300	8,500	8,540	40
Public safety impact fees	5,300	8,200	8,293	93
Traffic impact fees	52,700	268,700	268,723	23
Interest	2,700	6,200	6,390	190
Total revenues	<u>141,000</u>	<u>347,100</u>	<u>347,032</u>	<u>(68)</u>
Expenditures:				
Current:				
Public works	-	-	-	-
Capital outlay:				
Equipment	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>141,000</u>	<u>347,100</u>	<u>347,032</u>	<u>(68)</u>
Other financing sources (uses):				
Transfers out	-	(338,700)	(339,528)	(828)
Total other financing sources	<u>-</u>	<u>(338,700)</u>	<u>(339,528)</u>	<u>(828)</u>
Net change in fund balance	141,000	8,400	7,504	(896)
Fund balance, July 1	<u>33,900</u>	<u>1,911</u>	<u>1,911</u>	<u>-</u>
Fund balance, June 30	<u>\$ 174,900</u>	<u>\$ 10,311</u>	<u>\$ 9,415</u>	<u>\$ (896)</u>

TOWN OF YOUNTVILLE
COPS Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental -				
State allocation	\$ -	\$ 100,000	\$ 100,000	\$ -
Interest	-	800	1,035	235
Total revenues	<u>-</u>	<u>100,800</u>	<u>101,035</u>	<u>235</u>
Expenditures:				
Current:				
Public safety:				
Police services	-	100,920	101,155	(235)
Total expenditures	<u>-</u>	<u>100,920</u>	<u>101,155</u>	<u>(235)</u>
Excess(deficiency) of revenues over(under)expenditures	<u>-</u>	<u>(120)</u>	<u>(120)</u>	<u>-</u>
Other financing sources:				
Transfers in	-	-	-	43
Net change in fund balance	<u>-</u>	<u>(120)</u>	<u>(120)</u>	<u>-</u>
Fund balance, July 1	<u>20</u>	<u>120</u>	<u>120</u>	<u>-</u>
Fund balance, June 30	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF YOUNTVILLE
Fire Services Impact Fee Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Interest	\$ 1,500	\$ 2,000	\$ 1,926	\$ (74)
Total revenues	<u>1,500</u>	<u>2,000</u>	<u>1,926</u>	<u>(74)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Net change in fund balance	1,500	2,000	1,926	(74)
Fund balance, July 1	<u>37,514</u>	<u>37,320</u>	<u>37,320</u>	-
Fund balance, June 30	<u>\$ 39,014</u>	<u>\$ 39,320</u>	<u>\$ 39,246</u>	<u>\$ (74)</u>

TOWN OF YOUNTVILLE
Youth Program Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Contributions	\$ 5,000	\$ 4,000	\$ 11,979	\$ 7,979
Interest	400	500	707	207
Total revenues	<u>5,400</u>	<u>4,500</u>	<u>12,686</u>	<u>8,186</u>
Expenditures:				
Current:				
Community services:				
Youth programs	<u>5,000</u>	<u>4,000</u>	<u>3,125</u>	<u>875</u>
Total expenditures	<u>5,000</u>	<u>4,000</u>	<u>3,125</u>	<u>875</u>
Net change in fund balance	400	500	9,561	9,061
Fund balance, July 1	<u>12,093</u>	<u>12,663</u>	<u>12,663</u>	<u>-</u>
Fund balance, June 30	<u>\$ 12,493</u>	<u>\$ 13,163</u>	<u>\$ 22,224</u>	<u>\$ 9,061</u>

TOWN OF YOUNTVILLE
CLEEPS Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State grant	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Capital outlay:				
Equipment	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, July 1	-	-	-	-
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF YOUNTVILLE
Street Reserve Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest	11,000	16,000	17,011	1,011
Total revenues	<u>11,000</u>	<u>16,000</u>	<u>17,011</u>	<u>1,011</u>
Expenditures:				
Public works:				
Highways and streets	150,000	150,000	150,152	(152)
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>150,152</u>	<u>(152)</u>
Excess (deficiency) of revenues over expenditures	<u>(139,000)</u>	<u>(134,000)</u>	<u>(133,141)</u>	<u>859</u>
Other financing sources (uses):				
Transfer in	100,000	100,000	100,000	-
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	(39,000)	(34,000)	(33,141)	859
Fund balance, July 1	<u>286,084</u>	<u>278,501</u>	<u>278,501</u>	<u>-</u>
Fund balance, June 30	<u>\$ 247,084</u>	<u>\$ 244,501</u>	<u>\$ 245,360</u>	<u>\$ 859</u>

TOWN OF YOUNTVILLE
Community Hall Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State grant	\$ -	\$ -	\$ -	\$ -
Interest	23,000	35,000	39,561	4,561
Total revenues	<u>23,000</u>	<u>35,000</u>	<u>39,561</u>	<u>4,561</u>
Expenditures:				
Capital outlay:				
Community center	1,000,000	1,000,000	297,208	702,792
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>297,208</u>	<u>702,792</u>
Excess (deficiency) of revenues over expenditures	<u>(977,000)</u>	<u>(965,000)</u>	<u>(257,647)</u>	<u>707,353</u>
Other financing sources (uses):				
Transfers in	415,000	435,000	435,000	-
Transfer out	-	-	-	-
Total other financing sources	<u>415,000</u>	<u>435,000</u>	<u>435,000</u>	<u>-</u>
Net change in fund balance	<u>(562,000)</u>	<u>(530,000)</u>	<u>177,353</u>	<u>707,353</u>
Fund balance, July 1	<u>636,068</u>	<u>651,206</u>	<u>651,206</u>	<u>-</u>
Fund balance, June 30	<u>\$ 74,068</u>	<u>\$ 121,206</u>	<u>\$ 828,559</u>	<u>\$ 707,353</u>

TOWN OF YOUNTVILLE
Capital Lease Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Measure A allocations	\$ 264,800	\$ 264,800	\$ 264,295	\$ (505)
Interest	1,000	500	271	(229)
Total revenues	<u>265,800</u>	<u>265,300</u>	<u>264,566</u>	<u>(734)</u>
Expenditures:				
Debt service:				
Principal	185,900	185,900	185,898	2
Interest	78,900	78,900	78,632	268
Total expenditures	<u>264,800</u>	<u>264,800</u>	<u>264,530</u>	<u>270</u>
Excess (deficiency) of revenues over expenditures	<u>1,000</u>	<u>500</u>	<u>36</u>	<u>(464)</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,000	500	36	(464)
Fund balance, July 1	<u>951</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,951</u>	<u>\$ 500</u>	<u>\$ 36</u>	<u>\$ (464)</u>

TOWN OF YOUNTVILLE
Comparative Statement Net Assets
Water Enterprise

	June 30	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 183,190	\$ 85,598
Receivables:		
Customer accounts	135,835	125,983
Interest	1,373	1,349
Prepayments	9,072	1,123
Total current assets	329,470	214,053
Noncurrent assets:		
Other assets:		
Capital improvement funds:		
Cash and cash equivalents	122,342	120,680
Interest receivable	4,235	3,959
Capital assets:		
Buildings	40,001	40,001
Treatment and distribution system	2,729,104	2,633,727
Equipment	304,184	304,184
Water rights	633,000	633,000
Accumulated depreciation	(798,981)	(725,771)
Net capital assets	2,907,308	2,885,141
Total noncurrent assets	3,033,885	3,009,780
Total assets	\$ 3,363,355	\$ 3,223,833
Liabilities		
Current liabilities:		
Accounts payable	\$ 113,961	\$ 174,638
Compensated absences	6,615	7,166
Total current liabilities	120,576	181,804
Long-term obligations:		
Internal balances - loans from other funds	542,635	665,000
Total liabilities	663,211	846,804
Net assets:		
Invested in capital assets, net of related debt	2,907,308	2,885,141
Unrestricted	(207,164)	(508,112)
Total net assets	2,700,144	2,377,029
Total liabilities and net assets	\$ 3,363,355	\$ 3,223,833

TOWN OF YOUNTVILLE
Comparative Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Water Enterprise

	For The Fiscal Year Ended June 30	
	2007	2006
Operating revenues:		
Water sales	\$ 553,128	\$ 526,048
Total operating revenues	553,128	526,048
Operating expenses:		
Personnel services	140,252	140,768
Contractual services	53,678	59,355
Purchased water	502,409	516,293
Repairs, maintenance, and supplies	23,085	24,882
Insurance	5,279	6,782
Depreciation	73,210	51,252
Total operating expenses	797,913	799,332
Operating income (loss)	(244,785)	(273,284)
Nonoperating revenues (expenses):		
Interest expense	(29,659)	-
Interest revenue	13,533	12,211
Net nonoperating income(expense)	(16,126)	12,211
Income (loss) before contributions and transfers	(260,911)	(261,073)
Capital contributions	219,026	8,372
Transfers in	415,000	588,564
Transfer out	(50,000)	(50,000)
Change in net assets	323,115	285,863
Net assets, July 1	2,377,029	2,091,166
Net assets, June 30	\$ 2,700,144	\$ 2,377,029

TOWN OF YOUNTVILLE
Comparative Statement of Net Assets
Wastewater Enterprise

	June 30	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 191,331	\$ 243,636
Receivables:		
Customer accounts	81,993	74,501
Interest	2,413	2,701
Prepayments	16,536	1,155
Total current assets	292,273	321,993
Noncurrent assets:		
Other assets:		
Capital improvement funds:		
Cash and cash equivalents	1,984,713	1,410,522
Interest receivable	24,487	16,803
Internal balances - loans to other funds	224,385	330,000
Total other assets	2,233,585	1,757,325
Capital assets:		
Land	5,091	5,091
Buildings	27,444	27,444
Treatment system	6,597,741	6,597,741
Equipment	736,362	736,362
Accumulated depreciation	(3,273,007)	(3,116,121)
Net capital assets	4,093,631	4,250,517
Total noncurrent assets	6,327,216	6,007,842
Total assets	\$ 6,619,489	\$ 6,329,835
Liabilities		
Current liabilities:		
Accounts payable	\$ 15,647	\$ 70,671
Compensated absences	27,286	25,773
Total current liabilities	42,933	96,444
Net assets		
Invested in capital assets	4,093,631	4,250,517
Restricted	541,297	393,111
Unrestricted	1,941,628	1,589,763
Total net assets	6,576,556	6,233,391
Total liabilities and net assets	\$ 6,619,489	\$ 6,329,835

TOWN OF YOUNTVILLE
Comparative Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Wastewater Enterprise

	For The Fiscal Year Ended June 30	
	2007	2006
Operating revenues:		
Sewer charges - local	\$ 430,778	\$ 414,836
Sewer charges - State of California	238,451	237,368
	669,229	652,204
Operating expenses:		
Personnel services	355,104	334,682
Contractual services	98,295	136,808
Repairs and maintenance	34,267	25,645
Purchased power	90,974	98,775
Other supplies and expenses	61,952	65,060
Insurance	13,472	11,315
Depreciation	156,886	154,028
	810,950	826,313
Operating income (loss)	(141,721)	(174,109)
Nonoperating revenues (expenses):		
Interest revenue	106,415	73,851
	(35,306)	(100,258)
Capital contributions and transfers:		
Capital contributions	378,471	65,642
Transfers in	-	2,258
	378,471	67,900
Change in net assets	343,165	(32,358)
Net assets, July 1	6,233,391	6,265,749
Net assets, June 30	\$ 6,576,556	\$ 6,233,391

TOWN OF YOUNVILLE
Nonmajor Proprietary Fund
Balance Sheets
Comparative Statement of Net Assets
June 30, 2007

	<u>Community Hall Enterprise</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,856	\$ 44,999
Receivables:		
Customer accounts (net)	14,961	9,246
Interest	694	903
Prepayments	-	289
Total current assets	<u>41,511</u>	<u>55,437</u>
Noncurrent assets:		
Capital improvement fund:		
Cash and cash equivalents	<u>29,077</u>	<u>37,589</u>
Capital assets:		
Buildings	776,268	776,268
Improvements	144,865	136,468
Equipment	96,471	67,861
Accumulated depreciation	<u>(420,249)</u>	<u>(392,264)</u>
Total capital assets	<u>597,355</u>	<u>588,333</u>
Total noncurrent assets	<u>626,432</u>	<u>625,922</u>
Total assets	<u><u>\$ 667,943</u></u>	<u><u>\$ 681,359</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 12,681	\$ 2,307
Compensated absences	2,877	2,903
Deposits	<u>6,153</u>	<u>5,703</u>
Total current liabilities	<u>21,711</u>	<u>10,913</u>
Net assets:		
Invested in capital assets, net of related debt	597,355	588,333
Unrestricted	<u>48,877</u>	<u>82,113</u>
Total net assets	<u>646,232</u>	<u>670,446</u>
Total liabilities and net assets	<u><u>\$ 667,943</u></u>	<u><u>\$ 681,359</u></u>

TOWN OF YOUNTVILLE
Nonmajor Proprietary Funds
Comparative Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2007

	<u>Community Hall Enterprise</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services	\$ 75,120	\$ 72,538
Total operating revenues	<u>75,120</u>	<u>72,538</u>
Operating expenses:		
Personnel services	85,817	108,740
Contractual services	8,599	24,321
Utilities	12,336	9,483
Repairs and maintenance	12,476	14,861
Other supplies and expenses	26,920	15,145
Insurance	3,225	4,126
Depreciation	<u>27,985</u>	<u>27,540</u>
Total operating expenses	<u>177,358</u>	<u>204,216</u>
Operating income (loss)	<u>(102,238)</u>	<u>(131,678)</u>
Nonoperating revenues (expenses):		
Interest income	<u>3,024</u>	<u>3,244</u>
Total	<u>3,024</u>	<u>3,244</u>
Income (loss) before transfers	(99,214)	(128,434)
Transfers in	<u>75,000</u>	<u>75,000</u>
Change in net assets	(24,214)	(53,434)
Total net assets, July 1	<u>670,446</u>	<u>723,880</u>
Total net assets, June 30	<u>\$ 646,232</u>	<u>\$ 670,446</u>

TOWN OF YOUNTVILLE
Capital Assets Used in Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2007

Function and Activity	Land	Buildings	Construction in Progress & Improvements	Equipment	Total Cost
General government:					
Town administration	\$ -	\$ 67,689	\$ 21,178	\$ 200,344	\$ 289,211
Town clerk	-	-	-	23,573	23,573
Finance	-	-	-	57,248	57,248
Planning	-	-	-	4,846	4,846
Shared assets	56,482	171,890	-	75,724	304,096
Total general government	56,482	239,579	21,178	361,735	678,974
Public safety:					
Police protection	-	-	-	98,612	98,612
Infrastructure:					
Floodwall	-	-	6,137,553	-	6,137,553
Sidewalks and systems	-	-	562,089	-	562,089
Van De Leur Park	-	-	258,555	-	258,555
Bus shelter	-	-	24,284	-	24,284
Bike lanes	-	-	171,548	-	171,548
Street reconstruction	-	-	406,567	-	406,567
Storm drains	-	-	43,334	-	43,334
ADA system	-	-	228,153	-	228,153
Total infrastructure	-	-	7,832,083	-	7,832,083
Parks and recreation:					
Community center	-	-	297,208	-	297,208
Veteran's Home swimming pool leasehold improvements	-	-	1,243,437	-	1,243,437
Total parks and recreation	-	-	1,540,645	-	1,540,645
Public works:					
Street maintenance	-	77,477	55,955	190,493	323,925
Parks	773,384	228,006	721,854	240,823	1,964,067
Total public works	773,384	305,483	777,809	431,316	2,287,992
Total capital assets	\$ 829,866	\$ 545,062	\$ 10,171,715	\$ 891,663	\$ 12,438,306

TOWN OF YOUNTVILLE
Schedule of Changes in General Capital Assets
By Function and Activity
For the Fiscal Year Ended June 30, 2007

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets June 30, 2007</u>
General government:				
Town administration	\$ 268,033	\$ 21,178	\$ -	\$ 289,211
Town clerk	23,573	-	-	23,573
Finance	57,248	-	-	57,248
Planning	4,846	-	-	4,846
Shared assets	<u>304,096</u>	<u>-</u>	<u>-</u>	<u>304,096</u>
		-	-	
Total general government	<u>657,796</u>	<u>21,178</u>	<u>-</u>	<u>678,974</u>
Public safety:				
Police protection	<u>98,612</u>	<u>-</u>	<u>-</u>	<u>98,612</u>
Infrastructure:				
Floodwall	6,137,553	-	-	6,137,553
Sidewalks and systems	385,259	-	-	385,259
Bus shelter	-	24,284	-	24,284
Street reconstruction	406,567	-	-	406,567
Storm drains	43,334	-	-	43,334
Bike lanes	61,115	110,433	-	171,548
Curbs and sidewalks	176,830	-	-	176,830
Van De Leur Park	258,555	-	-	258,555
ADA system	<u>173,292</u>	<u>54,861</u>	<u>-</u>	<u>228,153</u>
		-	-	
Total infrastructure	<u>7,642,505</u>	<u>189,578</u>	<u>-</u>	<u>7,832,083</u>
Construction in progress:				
Swimming pool	743,804	499,633	-	1,243,437
Other improvement projects	-	-	-	-
Community hall expansion	<u>-</u>	<u>297,208</u>	<u>-</u>	<u>297,208</u>
		-	-	
Total construction in progress	<u>743,804</u>	<u>796,841</u>	<u>-</u>	<u>1,540,645</u>
Public works:				
Street maintenance	323,925	-	-	323,925
Bus shelters	20,938	-	-	20,938
Parks	<u>1,943,129</u>	<u>-</u>	<u>-</u>	<u>1,943,129</u>
		-	-	
Total public works	<u>2,287,992</u>	<u>-</u>	<u>-</u>	<u>2,287,992</u>
		-	-	
Totals	<u>\$ 11,430,709</u>	<u>\$ 1,007,597</u>	<u>\$ -</u>	<u>\$ 12,438,306</u>



Statistical Section

STATISTICAL SECTION

This part of the Town of Yountville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the town's overall financial health.

Financial Trends	Schedules 1 -4
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These schedules contain trend information to help understand how the town's financial performance and well-being have changed over time.

Revenue Capacity	Schedules 5-7
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These schedules contain information to help assess the Town's most significant local revenue source, which for the Town is the Transient Occupancy Tax.

Debt Capacity	Schedules 8-11
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These schedules present information to help assess the afford ability of the Town's current levels of outstanding debt and the Towns ability to issue additional debt in the future.

Demographic and Economic Information	Schedules 12-13
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These schedules offer demographic and economic indicators to help understand the environment within which the Towns financial activities take place.

Operating Information	Schedules 14-16
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These schedules contain service and infrastructure data to help understand how the information in the Town's financial report relates to services the Town provides and the activities it performs.

TOWN OF YOUNTVILLE
Net Assets by Component
Last Four Fiscal Years

	as of June 30th			
	2004	2005	2006	2007
Governmental Activities				
Invested in capital assets, net of related debt	4,351,821	5,730,797	7,575,411	8,476,957
Restricted	221,110	339,701	478,782	459,679
Unrestricted	5,501,221	6,169,255	5,026,089	5,772,291
Total general fund	<u>\$ 10,074,152</u>	<u>\$ 12,239,753</u>	<u>\$ 13,080,282</u>	<u>\$ 14,708,927</u>
Business-type Activities				
Invested in capital assets, net of related debt	6,408,807	6,711,207	7,723,991	7,598,294
Restricted	392,311	353,304	517,750	541,297
Unrestricted	2,104,888	2,016,284	1,039,125	1,783,341
Total business-type activities	<u>\$ 8,906,006</u>	<u>\$ 9,080,795</u>	<u>\$ 9,280,866</u>	<u>\$ 9,922,932</u>
Combined Totals				
Invested in capital assets, net of related debt	10,760,628	12,442,004	15,299,402	16,075,251
Restricted	613,421	693,005	996,532	1,000,976
Unrestricted	7,606,109	8,185,539	6,065,214	7,555,632
Total combined net assets	<u>\$ 18,980,158</u>	<u>\$ 21,320,548</u>	<u>\$ 22,361,148</u>	<u>\$ 24,631,859</u>

TOWN OF YOUNTVILLE
Changes in Net Assets, Statement of Activities
Last Four Fiscal Years

	as of June 30th			
	2004	2005	2006	2007
<u>Governmental Activities</u>				
<u>Expenses</u>				
General Government	1,055,086	1,188,527	1,186,020	1,245,311
Public Safety	704,995	775,634	906,080	930,214
Community Services	479,408	536,285	610,077	777,132
Public Works	614,163	1,110,668	1,103,417	1,191,902
Community Promotion	233,682	214,779	246,968	244,340
Interest on Long-Term Debt	-	66,833	86,482	78,632
Total Governmental activities expenses	<u>\$ 3,087,334</u>	<u>\$ 3,892,726</u>	<u>\$ 4,139,044</u>	<u>\$ 4,467,531</u>
<u>Program Revenues</u>				
Charges for Services	186,339	309,214	427,287	872,547
Operating Grants and Contributions	600,338	286,640	509,173	653,688
Capital Grants and Contributions	1,245,437	1,905,106	100,000	20,000
Total governmental program revenues	<u>\$ 2,032,114</u>	<u>\$ 2,500,960</u>	<u>\$ 1,036,460</u>	<u>\$ 1,546,235</u>
Subtotal net change in assets	<u>\$ (1,055,220)</u>	<u>\$ (1,391,766)</u>	<u>\$ (3,102,584)</u>	<u>\$ (2,921,296)</u>
<u>General Revenues</u>				
Property Taxes	335,403	293,179	348,717	425,896
Sales Taxes	460,757	448,411	538,967	662,890
Transient Occupancy Taxes	2,411,098	2,842,489	3,053,759	3,231,799
Vehicle In-Lieu Taxes	183,171	322,470	288,831	300,404
Other Taxes	73,852	69,906	84,661	95,905
Interest and Investment Earnings	84,679	102,570	191,548	258,041
Other General Revenues	-	400	52,452	14,646
Transfers	(294,961)	(522,058)	(615,822)	(440,000)
Total general revenues and transfers	<u>\$ 3,253,999</u>	<u>\$ 3,557,367</u>	<u>\$ 3,943,113</u>	<u>\$ 4,549,581</u>
Change in net assets, government activities	<u>\$ 2,198,779</u>	<u>\$ 2,165,601</u>	<u>\$ 840,529</u>	<u>\$ 1,628,285</u>
Net assets, beginning	<u>\$ 7,875,373</u>	<u>\$ 10,074,152</u>	<u>\$ 12,239,753</u>	<u>\$ 13,080,282</u>
Net assets, ending	<u>\$ 10,074,152</u>	<u>\$ 12,239,753</u>	<u>\$ 13,080,282</u>	<u>\$ 14,708,567</u>

TOWN OF YOUNTVILLE
Changes in Net Assets, Statement of Activities
Last Four Fiscal Years

	as of June 30th			
	2004	2005	2006	2007
<u>Business-Type Activities</u>				
<u>Expenses</u>				
Water	683,753	886,129	799,332	827,572
Wastewater	744,900	709,251	826,313	810,950
Community Hall	193,173	178,760	204,216	177,358
Other-Transit				
Total business-type expenses	\$ 1,621,826	\$ 1,774,140	\$ 1,829,861	\$ 1,815,880
<u>Program Revenues</u>				
Charges for Services				
Water	424,109	470,592	538,259	566,661
Wastewater	639,784	609,032	726,055	775,644
Community Hall	93,748	116,581	75,782	78,144
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	47,732	230,666	74,014	597,497
Total Business-type program revenues	\$ 1,205,373	\$ 1,426,871	\$ 1,414,110	\$ 2,017,946
Subtotal net change in assets	\$ (416,453)	\$ (347,269)	\$ (415,751)	\$ 202,066
Transfers-in	250,000	522,058	615,822	440,000
Change in net assets, business activities	\$ (166,453)	\$ 174,789	\$ 200,071	\$ 642,066
Net assets, beginning	\$ 9,072,459	\$ 8,906,006	\$ 9,080,795	\$ 9,280,866
Net assets, ending	\$ 8,906,006	\$ 9,080,795	\$ 9,280,866	\$ 9,922,932
<u>Town Government Assets</u>				
Net assets, beginning	\$ 16,947,832	\$ 18,980,158	\$ 21,320,548	\$ 22,361,148
Net assets, ending	\$ 18,980,158	\$ 21,320,548	\$ 22,361,148	\$ 24,631,499

TOWN OF YOUNTVILLE
Fund Balances - All Governmental Funds
Last Ten Fiscal Years

Fiscal Year	General Fund			All Other Governmental Funds			
	Reserved	Unreserved	Total	Special Revenue	Capital Projects	Other Reserved	Total
1997-98	\$ 385,295	\$ 343,904	\$ 729,199	\$ 916,992	\$ 2,317,888	\$ -	\$ 3,234,880
1998-99	113,623	653,748	767,371	569,531	1,839,378	-	2,408,909
1999-00	98,391	682,268	780,659	746,946	2,328,239	-	3,075,185
2000-01	30,701	786,930	817,631	936,017	3,028,106	-	3,964,123
2001-02	37,158	847,367	884,525	1,126,587	3,127,552	-	4,254,139
2002-03	21,015	825,294	846,309	1,271,797	3,438,744	-	4,710,541
2003-04	136,077	700,000	836,077	3,927,518	3,510,900	-	7,438,418
2004-05	190,283	649,035	839,318	1,985,616	2,617,243	930,008	5,532,867
2005-06	144,168	714,153	858,321	1,621,549	2,479,966	353,781	4,455,296
2006-07	240,202	685,037	925,239	1,788,259	3,002,486	318,250	5,108,995

TOWN OF YOUNTVILLE
Revenues, Expenditures & Changes in Fund Balances
and Debt Service Ratio - Governmental Funds
(In rounded Thousands of Dollars)
Last Ten Fiscal Years

Fiscal Years ended June 30th

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Property Taxes	\$ 164	\$ 190	\$ 236	\$ 270	\$ 282	\$ 310	\$ 335	\$ 293	\$ 349	\$ 426
Sales Taxes	273	348	447	507	480	434	461	449	539	663
Transient Occupancy Taxes	949	1,415	1,956	2,119	1,989	2,091	2,411	2,842	3,054	3,232
Other Taxes	51	39	40	48	63	58	69	67	81	93
Licenses & permits	63	24	30	14	12	20	23	30	65	111
Fines & forfeits	1	10	11	14	13	15	16	10	14	17
Intergovernmental	437	394	362	626	719	559	1,926	2,437	882	940
Interest and rents	224	165	187	296	187	126	79	133	210	296
Charges for services	921	171	159	105	125	157	130	248	315	705
Miscellaneous	180	57	20	113	65	122	131	19	33	40
total revenues	3,263	2,815	3,448	4,112	3,936	3,890	5,581	6,528	5,543	6,523
Expenditures										
General Government	\$ 1,030	\$ 1,355	\$ 958	\$ 896	\$ 1,002	\$ 1,021	\$ 1,026	\$ 1,132	\$ 1,166	\$ 1,220
Public Safety	338	335	398	573	629	642	694	764	895	920
Public Works	394	654	301	540	663	612	2,386	4,868	589	666
Community Promotion				169	204	185	224	215	247	244
Community Services	271	293	349	284	289	376	425	467	511	724
Debt Service										
Principal									182	186
Interest & other								67	82	79
Capital Outlay	646	533	257	384	578	409	620	575	2,313	1,323
total expenditures	2,680	3,170	2,263	2,846	3,364	3,245	5,375	8,088	5,986	5,363
net revenues less expenditures	584	(355)	1,186	1,266	572	645	206	(1,560)	(443)	1,161
Other financing sources (uses)										
Transfers-in	\$ 285	\$ 350	\$ 708	\$ 854	\$ 692	\$ 808	\$ 765	\$ 1,109	\$ 1,137	\$ 1,536
Transfers-out	(333)	(890)	(1,102)	(1,194)	(907)	(1,035)	(1,015)	(1,451)	(1,753)	(1,976)
Proceeds from borrowing							2,821			
Costs of issuance							(59)			
Other										
total financing sources (uses)	(48)	(540)	(394)	(340)	(215)	(227)	2,512	(342)	(616)	(440)
Net Change in Fund Balance	\$ 536	\$ (895)	\$ 792	\$ 926	\$ 357	\$ 418	\$ 2,718	\$(1,902)	\$(1,059)	\$ 721
Non-Capital Outlay expenses	2,034	2,637	2,006	2,462	2,787	2,836	4,755	7,513	3,672	4,040
Debt Service expenses	-	-	-	-	-	-	-	67	265	265
Debt Service as % of non-capital expenses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.89%	7.20%	6.55%

**TOWN OF YOUNTVILLE
 Transient Occupancy Tax Revenue Base Statistics
 Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Number of Lodging Rooms Town-Wide (2)</u>	<u>Transient Occupancy Tax Revenue (2)</u>	<u>Transient Occupancy Tax Per Capita</u>	<u>Transient Occupancy Tax Per Room</u>
1997-98	3,473	229	\$ 876,304	\$ 252	\$ 3,827
1998-99	3,633	341	1,415,353	390	4,151
1999-00	3,719	345	1,955,884	526	5,669
2000-01	3,768	345	2,117,313	562	6,137
2001-02	3,297	345	1,989,132	603	5,766
2002-03	3,280	345	2,090,041	637	6,058
2003-04 #	3,264	345	2,411,098	739	6,989
2004-05	3,257	345	2,842,489	873	8,239
2005-06	3,264	345	3,053,759	936	8,851
2006-07	3,290	345	3,231,799	982	9,368

Notes:

(1) Source: State Department of Finance

(2) Source: Town Transient Occupancy Tax Data

(#) TOT Rate increased from 10% to 12%, effective 1/1/04.

TOWN OF YOUNTVILLE
Transient Occupancy Tax - Principal Payers & Other Statistical Data
Last Ten Fiscal Years

Fiscal Year	Occupancy Rate	Average Daily Room Rate	Transient Occupancy Tax Revenue						
			By Concentration of Hotel Size						
			Total Revenue		Hotels with 50+ Rooms		Hotels with 1 - 49 Rooms		
1997-98	80.3%	\$ 168.27	\$ 876,304	9	\$ 753,133	4	\$ 123,171	5	
1998-99	68.1%	187.65	1,415,353	10	1,272,779	4	142,574	5	
1999-00	73.5%	211.68	1,955,884	10	1,767,494	4	188,390	6	
2000-01	72.8%	231.57	2,117,313	10	1,910,257	4	207,056	6	
2001-02	66.8%	218.56	1,989,132	10	1,795,960	4	193,172	6	
2002-03	69.0%	234.70	2,090,041	10	1,903,014	4	187,027	6	
2003-04 #	72.1%	244.62	2,411,098	10	2,198,055	4	213,043	6	
2004-05	72.9%	258.37	2,842,489	10	2,586,420	4	256,070	6	
2005-06	75.7%	261.15	3,053,759	10	2,779,841	4	273,918	6	
2006-07	75.9%	273.99	3,231,799	10	2,921,804	4	309,995	6	

Notes:

Source: Town Transient Occupancy Tax Data

(#) TOT Rate increased from 10% to 12%, effective 1/1/04.

**TOWN OF YOUNTVILLE
Principal Transient Occupancy Taxpayers - Top Ten
Last Ten Fiscal Years
(in alphabetical order)**

Fiscal Years ended June 30th

2007	2006	2005	2004
Bordeaux House	Bordeaux House	Bordeaux House	Bordeaux House
Burgundy Inn	Burgundy Inn	Burgundy Inn	Burgundy Inn
Lavender Inn	Lavender Inn	Lavender Inn	Lavender Inn
Maison Fleurie	Maison Fleurie	Maison Fleurie	Maison Fleurie
Napa Valley Lodge	Napa Valley Lodge	Napa Valley Lodge	Napa Valley Lodge
Napa Valley Railway Inn			
Petit Logis	Petit Logis	Petit Logis	Petit Logis
Villagio Inn & Spa			
Vintage Inn	Vintage Inn	Vintage Inn	Vintage Inn
Yountville Inn	Yountville Inn	Yountville Inn	Yountville Inn
2003	2002	2001	2000
Bordeaux House	Bordeaux House	Bordeaux House	Bordeaux House
Burgundy Inn	Burgundy Inn	Burgundy Inn	Burgundy Inn
Lavender Inn	Lavender Inn	Lavender Inn	Lavender Inn
Maison Fleurie	Maison Fleurie	Maison Fleurie	Maison Fleurie
Napa Valley Lodge	Napa Valley Lodge	Napa Valley Lodge	Napa Valley Lodge
Napa Valley Railway Inn			
Petit Logis	Petit Logis	Petit Logis	Petit Logis
Villagio Inn & Spa			
Vintage Inn	Vintage Inn	Vintage Inn	Vintage Inn
Yountville Inn	Yountville Inn	Yountville Inn	Yountville Inn
1999	1998		
Bordeaux House	Bordeaux House		
Burgundy Inn	Burgundy Inn		
Maison Fleurie	Maison Fleurie		
Napa Valley Lodge	Napa Valley Lodge		
Napa Valley Railway Inn	Napa Valley Railway Inn		
Petit Logis	Petit Logis		
Villagio Inn & Spa	Vintage Inn		
Vintage Inn	Yountville Inn		
Yountville Inn			

TOWN OF YOUNTVILLE
Ratio of Outstanding Debt by Type
Per Capita & Per Capita Income Data
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Countywide Per Capita Income (2)</u>	<u>Estimated Yountville Income</u>	<u>General Obligation Bonds</u>	<u>Lease Purchase Revenue Bonds</u>	<u>Total Bonded Debt</u>	<u>Bonded Debt Per Capita</u>	<u>Debt as % of Per Capita Income</u>
1997-98	3,473	\$ 30,339	\$ 105,367,347	\$ -	\$ -	\$ -	\$ -	0.00%
1998-99	3,633	32,264	117,215,112	-	-	-	-	0.00%
1999-00	3,719	34,779	129,343,101	-	-	-	-	0.00%
2000-01	3,768	37,818	142,498,224	-	-	-	-	0.00%
2001-02	3,297	37,621	124,036,437	-	-	-	-	0.00%
2002-03	3,280	37,677	123,580,560	-	-	-	-	0.00%
2003-04	3,264	38,352	125,180,928	-	2,820,651	2,820,651	864.17	2.25%
2004-05	3,257	40,666	132,449,162	-	2,820,651	2,820,651	866.03	2.13%
2005-06 (2)	3,264	42,252	137,910,443	-	2,638,403	2,638,403	808.33	1.91%
2006-07 (3)	3,290	44,787	147,349,534	-	2,452,505	2,452,505	745.44	1.66%

Notes to Table:

(1) Source: State Department of Finance

(2) Source: California Labor Market Data (State EDD), 2005-06 estimated at 3.9% growth.

(3) Source: Bureau of Economic Analysis, 2006 estimated at 6.0%

TOWN OF YOUNTVILLE
Computation of Direct and Overlapping Bonded Debt
June 30, 2007

Jurisdiction	Percentage Applicable to Town (1)	Amount Applicable to Town (1)
Direct and overlapping tax and assessment debt:		
Town of Yountville	100.0000%	-
Napa Joint Community College District	1.6700%	\$ 1,442,246
Napa Valley Unified School District	2.4110%	\$ 4,751,719
Total direct and overlapping tax and assessment debt		\$ 6,193,965
Overlapping General Fund Debt:		
Napa County Certificates of Participation	1.6840%	\$ 679,326
Napa County Board of Education Certificates of Participation	1.6840%	62,476
Total overlapping general fund obligation debt		\$ 741,802
Total direct and overlapping bonded debt		\$ 6,935,767
Ratio to 2006-07 assessed valuation		
Assessed valuation (1)		\$ 385,737,697
Direct debt (Town)	0.0000%	
Direct debt (NJCCD, NVUSD)	1.6057%	
Overlapping debt	0.1923%	
Combined total debt	1.7981%	

Notes:

(1) Source: California Municipal Statistics

**TOWN OF YOUNTVILLE
Legal Debt Margin Information
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Assessed Valuation (1)</u>	<u>Ratio Applied as % of Assessed Value</u>	<u>Legal Debt Limit Margin</u>	<u>Total Debt Subject to Limit</u>	<u>Debt Subject to Limit as % of Debt Limit</u>
1997-98	\$ 151,539,978	3.75%	\$ 5,682,749	\$ -	0.00%
1998-99	175,602,768	15.00%	26,340,415	-	0.00%
1999-00	210,951,096	15.00%	31,642,664	-	0.00%
2000-01	233,632,811	15.00%	35,044,922	-	0.00%
2001-02	279,816,967	15.00%	41,972,545	-	0.00%
2002-03	301,112,916	15.00%	45,166,937	-	0.00%
2003-04	325,382,734	15.00%	48,807,410	-	0.00%
2004-05	348,293,026	15.00%	52,243,954	-	0.00%
2005-06	385,737,697	15.00%	57,860,655	-	0.00%
2006-07	422,992,439	15.00%	63,448,866	-	0.00%

Legal Debt Limit Margin Calculation for 2005-06

Assessed value (1)	<u>\$ 422,992,439</u>
Debt limit is 15% of assessed value	\$ 63,448,866
Less: Debt applicable to limitation	\$ -
Total bonded debt	<u>\$ -</u>
Legal debt margin	<u><u>\$ 63,448,866</u></u>

In accordance with state law the town may not incur general obligation bonded indebtedness in excess of 15% of total assessed valuation, with such debt being payable from the proceeds of taxes levied upon taxable properties in the town.

**TOWN OF YOUNTVILLE
Pledged Debt Revenue Coverage
Last Ten Fiscal Years**

Flood Wall Lease Purchase Agreement

Fiscal Year	Pledged Measure A Sales Taxes	Debt Service			Revenue Coverage
		Principal	Interest	Total Debt Service	
1997-98	\$ -	\$ -	\$ -	\$ -	-
1998-99	-	-	-	-	-
1999-00	-	-	-	-	-
2000-01	-	-	-	-	-
2001-02	-	-	-	-	-
2002-03	-	-	-	-	-
2003-04	-	-	-	-	-
2004-05	# 40,677	-	65,083	65,083	0.625
2005-06	264,453	182,248	80,532	262,780	1.006
2006-07	264,295	185,898	76,882	262,780	1.006

Note # Debt service capitalized interest of \$24,406 paid on 8/1/2004, funding was from bond proceeds (April 2004)

**TOWN OF YOUNTVILLE
Demographic & Economic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Countywide Per Capita Income (2)</u>	<u>Estimated Yountville Income</u>	<u>Assessed Valuation</u>	<u>Unemployment Rate (3)</u>
1997-98	3,473	\$ 30,339	\$ 105,367,347	\$ 151,539,978	N/A
1998-99	3,633	32,264	117,215,112	175,602,768	N/A
1999-00	3,719	34,779	129,343,101	210,951,096	N/A
2000-01	3,768	37,818	142,498,224	233,632,811	N/A
2001-02	3,297	37,621	124,036,437	279,816,967	N/A
2002-03	3,280	37,677	123,580,560	301,112,916	N/A
2003-04	3,264	38,352	125,180,928	325,382,734	N/A
2004-05	3,257	40,666	132,449,162	348,293,026	N/A
2005-06 (2)	3,264	42,252	137,910,443	385,737,697	2.50%
2006-07 (4)	3,290	44,787	147,349,534	422,992,439	2.20%

Notes to Table:

- (1) Source: State Department of Finance
 - (2) Source: California Labor Market Data (State EDD), 2005-06 estimated at 3.9% growth (CPI-U).
 - (3) Source: State of California EDD Labor Force Data
 - (4) Source: Bureau of Economic Analysis, 2006 estimated at 6.0%
- N/A Data not available

**TOWN OF YOUNTVILLE
Principal Employers
Last Ten Fiscal Years**

Fiscal Year	Employer	Number Employees	Rank to Town
1997-98	<i>Data not available for fiscal years 1996-97 through 2004-05</i>	-	-
1998-99		-	-
1999-00		-	-
2000-01		-	-
2001-02		-	-
2002-03		-	-
2003-04		-	-
2004-05		-	-
2005-06	Veterans Home of California	500 - 999	1
	State of California		
	Domaine Chandon Winery	250 - 499	2
	for winery and food service operations		
	Vintage 1870 - Hotel, Inn & Spa Operations	250	3
	for Vintage, Vilaggio, and related support services		
2006-07	Veterans Home of California	500 - 999	1
	State of California		
	Domaine Chandon Winery	250 - 499	2
	for winery and food service operations		
	Vintage 1870 - Hotel, Inn & Spa Operations	250	3
	for Vintage, Vilaggio, and related support services		

TOWN OF YOUNTVILLE
Full-Time Equivalent Town Government Employees by Function
Last Ten Years

Function	Full-Time Equivalent Personnel as of June 30th									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Administration	5	5	5	5	6	6	6	6	6	6
Town management										
Municipal clerk										
Finance										
Planning	1	1	1	2	2	2	2	2	2	2
Public Works	4	4	4	5	5	6	7	7	6	6
Government buildings										
Streets maintenance										
Parks maintenance										
Water operations										
Wastewater	3	3	3	3	3	3	3	3	3	3
Collection and treatment										
Community Services	0	0	0	1	1	1	3	4	4	5
Recreation programs										
Community Hall										
Totals:	13	13	13	16	17	18	21	22	21	22

TOWN OF YOUNTVILLE
Operating Indicators
Last Ten Fiscal Years

Fiscal Years ended June 30th

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2006
Police										
Felony crimes									42	42
Traffic violations/citations					295	306	259	395	280	319
Water system										
Annual Consumption (AF)					526.3	552.2	501.5	578.9	521.2	502.5
Daily average consumption in MGD					0.470	0.493	0.447	0.516	0.465	0.449
Wastewater system										
Daily average treatment in MGD					0.360	0.360	0.420	0.426	0.426	0.426
Maximum daily capacity of treatment plant, in MGD					0.550	0.550	0.550	0.593	0.593	0.593
Streets										
Expenditures for streets in thousands of dollars					\$ 206	\$ 216	\$ 405	\$ 344	\$ 391	\$ 471

Data not available unless otherwise noted

TOWN OF YOUNTVILLE
Capital Asset Statistics
Last Ten Fiscal Years

Fiscal Years ended June 30th

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Area in Square Miles					1.56	1.56	1.56	1.56	1.56	1.56
Fire protection (State/County)										
Number of stations					1	1	1	1	1	1
Number of personnel					16.8	16.8	16.8	16.8	16.8	16.8
Parks and recreation:										
Community hall					1	1	1	1	1	1
Parks & open space areas					7	7	7	7	7	7
Park acreage					5.98	5.98	5.98	5.98	5.98	5.98
Tennis courts					1	1	1	1	1	1
Police protection (County)										
Number of substations					1	1	1	1	1	1
Contract police officers					3	3	3	3	3	3
Public library (County)										
Number of branches					1	1	1	1	1	1
Square Footage					782	782	782	782	782	782
Number of items					5,900	5,900	5,900	5,900	5,900	8,097
Streets										
Miles of streets					6.7	6.7	6.7	6.7	7.0	7.0
Water system										
Service connections					714	714	714	714	730	730
Miles of water mains					8.6	8.6	8.6	8.6	8.9	8.9
Wastewater system										
Number of treatment plants					1	1	1	1	1	1
Number of service connections					669	669	669	669	695	700
Miles of sanitary sewers					9.1	9.1	9.1	9.1	9.4	9.4

Data not available unless otherwise noted

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

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The following are summaries of selected provisions of certain legal documents that are not described elsewhere in this Official Statement. These summaries do not purport to be comprehensive and reference should be made to the Site Lease, the Facilities Lease, and the Trust Agreement for a full and complete statement of their provisions. All capitalized terms not defined in this Official Statement have the meanings set forth in the Trust Agreement.

DEFINITIONS

Applicable Environmental Laws means any local, state, and/or federal laws or regulations, whether currently in existence or enacted later, that govern (1) the existence, cleanup, and/or remedy of contamination on property; (2) the protection of the environment from spilled, deposited, or otherwise emplaced contamination; (3) the control of hazardous wastes; or (4) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

Bonds, Serial Bonds, Term Bonds. The term “Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement. The term “Serial Bonds” means Bonds for which no scheduled mandatory redemptions are provided. The term “Term Bonds” means Bonds that are subject to scheduled mandatory redemptions on or before their respective maturities calculated to retire such Bonds on or before their specified maturity dates.

Bond Year means the period ending on October 1 of each year with the first Bond Year ending on October 1, 2008, and the last Bond Year ending on the date on which none of the Bonds remain outstanding.

Business Day means any day, other than a Saturday or Sunday, on which the Trustee is open for business at its Corporate Trust Office.

Certificate, Statement, Request, Requisition, or Order of the Authority or the Town mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the respective entity, in the case of the Authority, by the President, Administrator, Treasurer/Controller, or Secretary of the Authority or by any other officer of the Authority duly authorized by the Administrator for that purpose and, in the case of the Town, by the Mayor, Town Manager, or Finance Director of the Town or by any other officer of the Town duly authorized by the Town Manager for that purpose.

Code means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

Defeasance Securities means the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. Treasury obligations;
 - (b) All direct or fully guaranteed obligations;
 - (c) Farmers Home Administration;
 - (d) General Services Administration;
 - (e) Guaranteed Title XI financing;
 - (f) Government National Mortgage Association (GNMA); and
 - (g) State and Local Government Series.

Hazardous Substance means any substance that shall, at any time, be listed as “hazardous” or “toxic” in any Applicable Environmental Law or that has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws; and also means, without limitation,

raw materials, building components, the products of any manufacturing, or other activities on the Leased Property, wastes, petroleum, and source, special nuclear, or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC Sections 3011 et seq.).

Independent Accountant means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom --

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

Investment Securities means any of the following to the extent permitted by the laws of the State (the Trustee is entitled to rely on any Written Request of the Authority directing investments as a certification to the Trustee that such investments are so permitted):

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. Treasury obligations;
 - (b) All direct or fully guaranteed obligations;
 - (c) Farmers Home Administration;
 - (d) General Services Administration;
 - (e) Guaranteed Title XI financing;
 - (f) Government National Mortgage Association (GNMA); and
 - (g) State and Local Government Series;
- (3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - (a) Export-Import Bank;
 - (b) Rural Economic Community Development Administration;
 - (c) U.S. Maritime Administration;
 - (d) Small Business Administration;
 - (e) U.S. Department of Housing & Urban Development (PHAs);
 - (f) Federal Housing Administration; and
 - (g) Federal Financing Bank;
- (4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - (a) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - (b) Obligations of the Resolution Funding Corporation (REFCORP); and

(c) Senior debt obligations of the Federal Home Loan Bank System;

(5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by Standard & Poor's and maturing not more than 360 calendar days after the date of purchase; provided that ratings on holding companies are not considered as the rating of the bank;

(6) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by Standard & Poor's and which matures not more than 270 calendar days after the date of purchase;

(7) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's including funds for which the Trustee and its affiliates provide investment advisory or other management services;

(8) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and:

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or Standard & Poor's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(9) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and Standard & Poor's;

(10) Investment agreements (also referred to as guaranteed investment contracts) (i) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt or claims paying ability is rated in the highest short-term rating category (if the term of the investment agreement is less than three years) or in either of the two highest long-term rating categories (if the term of the investment agreement is three years or longer) by Standard & Poor's if Standard & Poor's then maintains a rating, and Moody's if Moody's then maintains a rating, on any of the Bonds; or (ii) which investment agreement or guaranteed investment contract is fully secured by obligations described in clause (2) or (3) above (A) that are valued not less frequently than weekly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment; (B) held by the Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee; (C) subject to a perfected first lien by the Trustee; and (D) free and clear from all third-party liens.

Any investment agreement will provide that, if during its term (a) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3," respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee, or a third-party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is at least 104% of the then current invested balance if the securities used as collateral are among those listed in this definition under (2), at least 105% of the then current invested balance if the securities used as collateral are among those listed in this

definition under (3) or (4), or 100% of the then current invested balance if the collateral is cash; or (ii) fully secure the provider's remaining obligations under the investment agreement pursuant to a repurchase agreement or other collateral arrangement providing collateral sufficient to satisfy the reasonable requirements of each of Standard & Poor's and Moody's necessary to maintain a rating of "AA-" and "Aa3" on the investment agreement, or (iii) transfer the agreement and its rights and obligations to a replacement provider whose ratings are at least "AA-" and "Aa3" by Standard & Poor's and Moody's, respectively, or (iv) at the sole expense of the provider, prepare written bid specifications for the unconditional assumption of their remaining obligations under the investment agreement. The provider will solicit bids, from eligible replacement providers whose ratings are at least "AA-" and "Aa3" by Standard & Poor's and Moody's, respectively; (b) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "3," respectively, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or the Trustee; (c) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or the Trustee, as appropriate; and (d) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or the Trustee, as appropriate

(11) The Local Agency Investment Fund referred to in Section 16429.1 of the California Government Code; and

(12) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California that invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended (California Asset Management Program).

Joint Powers Agreement means the Joint Exercise of Powers Agreement by and between the Town and the Parking Authority of the Town of Yountville, dated as of June 3, 2008, as originally executed and as it may from time to time be amended or supplemented.

Leased Property means (i) that certain real property situated in the County of Napa, State of California, described in Exhibit A attached to the Facilities Lease, together with the improvements located thereon, or (ii) real property substituted for all or a portion of the real property described in clause (i) above in accordance with the terms and conditions of the Facilities Lease.

Net Proceeds means the amount remaining from the gross proceeds of any insurance claim or condemnation award made in connection with the Leased Property, after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

Outstanding, when used as of any particular time with reference to Bonds, means all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

Permitted Encumbrances means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the Facilities Lease and the Site Lease, as they may be amended from time to time; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that exist of record as of the date of the Trust Agreement and which the Town certifies in writing will not materially impair the use of the Leased Property by the Town; and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or

restrictions established following the date of recordation of the Facilities Lease, to which the Town and the Authority consent and to which the Town and the Authority certify in writing will not materially impair the leasehold interests of the Authority.

Project means the design, construction and equipping of a new Community Center and Library building, the remodeling of the existing Community Hall, the construction of a new sheriff's substation, and the construction and landscaping of a new Town Square.

Redemption Price means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Trust Agreement.

Rental Payments means all the rental payments due and payable under the Facilities Lease.

Reserve Facility means any letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee pursuant to the funding requirements of the Reserve Fund.

Reserve Fund Requirement means, as of any date of calculation, an amount equal to the least of (i) maximum annual debt service in any Fiscal Year on all Bonds Outstanding, (ii) 125% of average annual debt service in any Fiscal Year on all Bonds Outstanding, and (iii) 10% of the original principal amount of the Bonds.

Revenues means all Rental Payments paid by the Town and received by the Authority and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) pursuant to the Trust Agreement.

State means the State of California.

SITE LEASE

Under the Site Lease, the Town will lease the Leased Property to the Authority for an advance rental equal to the proceeds of the sale of the Bonds. The term of the Site Lease will commence on the Closing Date and will terminate on October 1, 2040, unless extended because of rental abatement or sooner terminated because of redemption of the Bonds.

FACILITIES LEASE

General

Simultaneously with the delivery of the Site Lease, the Authority will sublease the Leased Property to the Town pursuant to the Facilities Lease. Certain of the provisions of the Facilities Lease are summarized below; this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Facilities Lease.

Term

The term of the Facilities Lease shall commence on the Closing Date and shall end on October 1, 2040; unless such term is extended or sooner terminated. If on October 1, 2040, the Bonds have not been fully paid, or if the rental payable under the Facilities Lease has been abated at any time and for any reason, then the term of the Facilities Lease will be extended for a period of 10 years. If the Bonds have been fully paid, or provision therefor made, the term of the Facilities Lease shall end 10 days thereafter.

No Offsets; Net Lease

The Town promises to make all Rental Payments when due without deduction or offset of any kind, notwithstanding any dispute between the Authority and the Town, and not to withhold any Rental Payments pending the final resolution of any such dispute. The Facilities Lease will be deemed and construed to be a "net-net-net

lease” and the Town agrees that the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges, or setoffs whatsoever.

Additional Payments

Under the Facilities Lease, in addition to Rental Payments for the use of the Leased Property, the Town also promises to pay Additional Payments, which include (i) all costs and expenses incurred by the Authority or the Trustee in connection with the execution, performance, or enforcement of the Facilities Lease and the Trust Agreement, and (ii) all amounts necessary to replenish valuation deficiencies, amounts withdrawn from the Reserve Fund, and amounts needed to reimburse an issuer of a Reserve Facility, and (iii) amounts needed to pay rebate to the U.S. Treasury.

Prepayments

Casualty/Condemnation. The Town will prepay from net insurance proceeds and eminent domain proceeds, to the extent described below, all or a proportionate amount of each (such that the remaining Rental Payments are substantially equal in each year thereafter) of the principal components of the Rental Payments then unpaid, at a prepayment amount equal to the sum of the principal components prepaid plus the interest component of such Rental Payments accrued to the date of prepayment.

Optional Prepayment. The Town may prepay, from any source of available funds, all or such part of the Rental Payments as specified by the Town by depositing with the Trustee moneys or securities as provided in the Trust Agreement sufficient to make such Rental Payments when due. The Town agrees that, if following such prepayment the Leased Property is damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Rental Payments and shall not be entitled to any reimbursement of such Rental Payments. Any such prepayment shall be applied by the Trustee to pay the principal of and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement.

Covenants of the Town:

Maintenance of the Leased Property. The Town agrees that, at all times during the term of the Facilities Lease, the Town will, at the Town’s own cost and expense, maintain, preserve, and keep the Leased Property and every portion thereof in good repair, working order, and condition and that the Town will from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals.

Taxes and Other Governmental Charges; Utility Charges. If the use, possession, or acquisition by the Town or the Authority of the Leased Property is found to be subject to taxation in any form (except for income or franchise taxes of the Authority), the Town will pay during the term of the Facilities Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property, and any equipment or other property acquired by the Town in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Leased Property; provided that, with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the Town shall be obligated to pay only such installments as are accrued during such time as the Facilities Lease is in effect. The Town shall pay or cause to be paid all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility, and other charges incurred in the operation, maintenance, use, occupancy, and upkeep of the Leased Property.

Liens. In the event the Town shall at any time during the term of the Facilities Lease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the Town shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies, or equipment furnished or alleged to have been furnished to or for the Town in, upon or about the Leased Property and shall keep the Leased Property free of any and all mechanics’ or materialmen’s liens or other liens against the Leased Property or the Authority’s interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority’s interest therein, the Town shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such

lien matures or becomes due, except that if the Town desires to contest any such lien it may do so in good faith. If any such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the Town shall forthwith pay and discharge such judgment.

Environmental Covenants. The Town will comply with all Applicable Environmental Laws with respect to the Leased Property and will not use, store, generate, treat, transport, or dispose of any Hazardous Substance thereon or in a manner that would cause any Hazardous Substance to later flow, migrate, leak, leach, or otherwise come to rest on or in the Leased Property.

Assignment and Subleasing. Neither the Facilities Lease nor any interest of the Town thereunder shall be mortgaged, pledged, assigned, sublet, or transferred by the Town by voluntary act or by operation of law or otherwise, except with the prior written consent of the Authority, which, in the case of subletting, shall not be unreasonably withheld; provided such subletting shall not affect the tax-exempt status of the interest on the Bonds. No such mortgage, pledge, assignment, sublease or transfer shall in any event affect or reduce the obligation of the Town to make the Rental Payments and Additional Payments required under the Facilities Lease.

Further Assurances. The Town and the Authority will, from time to time, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered such supplements to the Facilities Lease and such further instruments as may be necessary or proper to carry out the intention or to facilitate the performance of the Facilities Lease. The Town and the Authority shall defend vigorously any actions, suits, or proceedings in which that party is named as a defendant and that seeks to enjoin, restrain, or prohibit the transactions contemplated by the Facilities Lease.

Lease Default Events.

The following events shall be Lease Default Events:

Payment Default. Failure of the Town to pay any Rental Payments when the same becomes due and payable, time being expressly declared to be of the essence of the Facilities Lease;

Breach of Covenant. Failure of the Town to keep, observe, or perform any other term, covenant or condition contained in the Facilities Lease to be kept or performed by the Town for a period of 30 days after notice of the same has been given to the Town by the Authority or the Trustee;

Transfer of Town's Interest. Assignment or transfer of the Town's interest in the Facilities Lease or any part thereof without the written consent of the Authority, either voluntarily or by operation of law or otherwise;

Bankruptcy or Insolvency. Institution of any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency, or similar law or any law providing for the appointment of a receiver, liquidator, trustee, or similar official of the Town or of all or substantially all of its assets, by or with the consent of the Town, or institution of any such proceeding without its consent that is not permanently stayed or dismissed within sixty days, or agreement by the Town with the Town's creditors to effect a composition or extension of time to pay the Town's debts, or request by the Town for a reorganization or to effect a plan of reorganization, or for a readjustment of the Town's debts, or a general or any assignment by the Town for the benefit of the Town's creditors;

Abandonment of the Leased Property. Abandonment by the Town of any part of the Leased Property (except any portion thereof for which a substitution of property has been made).

Remedies on Default

Upon the occurrence of a Lease Default Event, the Authority, in addition to all other rights and remedies it may have at law, may do any of the following:

Termination of Lease. By written notice to the Town, terminate the Facilities Lease and re-enter the Leased Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and place such personal property in storage in any warehouse or other suitable place in the county in which the Town is located. In the event of such termination, the Town agrees to surrender immediately possession of the Leased Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the Town, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Property and removal or storage of such property by the Authority or its duly authorized agents.

Continuation of Lease; Reletting. Without terminating the Facilities Lease, (a) collect each installment of rent as it becomes due and enforce any other term or provision thereof to be kept or performed by the Town, regardless of whether or not the Town has abandoned the Leased Property, and/or (b) enter, retake possession of, and re-let the Leased Property. If the Authority does not elect to terminate the Facilities Lease in the manner described in the preceding paragraph, the Town shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facilities Lease. If the Leased Property is not re-let, the Town agrees to pay the full amount of the rent to the end of the term of the Facilities Lease; if the Leased Property is re-let, the Town agrees to pay any deficiency in rent that results therefrom. The Town further agrees to pay the rent punctually at the same time and in the same manner as for the payment of rent under the Facilities Lease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Facilities Lease and notwithstanding any entry or re-entry by the Authority or proceeding brought by the Authority to recover possession of the Leased Property.

No Acceleration. Notwithstanding anything in the Facilities Lease or in the Trust Agreement to the contrary, there shall be no right under any circumstance to accelerate the Rental Payments or otherwise declare any Rental Payments not yet due to be immediately due and payable.

TRUST AGREEMENT

General

The Trust Agreement sets forth the terms of the Bonds, the application of the proceeds of the sale of the Bonds, the nature and extent of the security for the Bonds, various rights of the Owners, and the rights, duties, and immunities of the Trustee. Certain provisions of the Trust Agreement are summarized below. Other provisions are summarized in this Official Statement under the captions "INTRODUCTION," "THE BONDS," and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

Reserve Facilities

Letter of Credit. a. In lieu of making Reserve Fund Requirement replenishment deposits, or in replacement of moneys then on deposit in the Reserve Fund, the Town may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, together with moneys, Investment Securities or Reserve Facilities (as described below) on deposit in the Reserve Fund, equal to the Reserve Fund Requirement. Such letter of credit shall have a term no less than three years or, if less, the maturity of the Bonds. If a drawing is made on the letter of credit, the Town shall make such payments as may be required by the terms of the letter of credit or any obligations related thereto (but no less than quarterly pro rata payments) so that the letter of credit shall be reinstated in the amount of such drawing within one year of the date of such drawing.

b. At least one year prior to the stated expiration of such letter of credit, the Town shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the maturity of the Bonds, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements described in (5) below. If the Town shall fail to deposit a replacement letter of credit, extended letter of credit or Reserve Facility with the Trustee, the Town shall immediately commence to make quarterly deposits with the Trustee so that an amount equal to the Reserve Fund Requirement will be on deposit in the Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Reserve Fund Requirement as of the

date following the expiration of the letter of credit is not on deposit in the Reserve Fund one week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in the Reserve Fund.

Other Reserve Facilities. In lieu of making Reserve Fund Requirement replenishment deposits, or in replacement of moneys then on deposit in the Reserve Fund, the Town may also deliver to the Trustee an insurance policy, surety bond or other Reserve Facility securing an amount, together with moneys, Investment Securities or letters of credit on deposit in the Reserve Fund, no less than the Reserve Fund Requirement issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies or surety bonds) are rated in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such Reserve Facility shall have a term of no less than the maturity of the Bonds in connection with which such Reserve Facility was obtained. In the event that such Reserve Facility for any reason lapses or expires, the Town shall immediately implement (i) or (iii) described in the preceding paragraph or make the required deposits to the Reserve Fund.

Investment of Moneys in Funds and Accounts.

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Trust Agreement shall be invested solely as directed by the Town, solely in Investment Securities.

Moneys in the Reserve Fund shall be invested in Investment Securities maturing or available on demand within five years of the date of such investment, but in no event later than the final maturity of the Bonds. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

All interest, profits, and other income received from the investment of moneys in any fund or account held by the Trustee, other than the Rebate Fund, shall be transferred to the Construction Fund, until completion of the Project, and thereafter to the Revenue Fund. Earnings on the investment of moneys in the Rebate Fund shall be deposited in such fund.

Events of Default; Remedies of Owners

Events of Default. The following events shall be Events of Default:

Payment Default. Default in the due and punctual payment of the interest on any Bond or the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable;

Breach of Covenant. Default by the Authority in the observance or performance of any covenant, condition, agreement, or provision in the Trust Agreement on its part to be observed or performed, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee; and

Facilities Lease Payment Default. A default by the Town in the payment of Rental Payments or Additional Payments under the Facilities Lease.

Bankruptcy. A declaration of bankruptcy by the Authority.

Site Lease Default. A default as defined under the Site Lease.

Remedies. Acceleration of Maturities. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may and, upon the written request of the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding, shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable,

anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. This right is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, including without limitation fees and expenses of its attorneys and agents, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Owners of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may on behalf of the Owners of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All money in the Construction Fund, the Revenue Fund, the Interest Fund, the Principal Fund, and the Reserve Fund upon the date of the declaration of acceleration by the Trustee and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority hereunder shall be transmitted to the Trustee and shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel) in providing for the declaration of such Event of Default and incurred in and about the performance of its powers and duties under this Trust Agreement; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Institution of Legal Proceedings by Trustee. If one or more of the events of default shall happen and be continuing, the Trustee (a) may and (b) shall, upon the written request of the Owners of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, proceed to protect or enforce its rights or the rights of the Owners of Bonds under the Trust Agreement and under the Facilities Lease by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement. The Trustee may exercise its rights under the Trust Agreement to collect its fees and expenses without the consent of the Owners of any Bonds so long as such exercise does not result in the acceleration of any Bonds.

Amendment of Trust Agreement

Supplemental Trust Agreements without Consent of Owners. The Trust Agreement and the rights and obligations of the Authority, of the Trustee, and of the Owners of the Bonds may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into without the consent of any Owners, but only with the consent of the Town but only to the extent permitted by law and only for any one or more of the following purposes:

1. to add to the covenants and agreements of the Authority contained in the Trust Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority in the Trust Agreement;

2. to make such provisions for the purpose of curing any ambiguity, inconsistency, or omission, or of curing or correcting any defective provision, contained in the Trust Agreement, or in regard to matters or questions arising under the Trust Agreement, as the Authority may deem necessary or desirable, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

3. to modify, amend, or supplement the Trust Agreement in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute, and to add such other terms, conditions, and provisions as may be permitted by said act or similar federal statute, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

4. to modify or supplement the procedures for giving notice of redemption of Bonds in order to comply with regulations promulgated by the United States Securities and Exchange Commission;

5. to make modifications or adjustments necessary, appropriate, or desirable to accommodate credit enhancements including letters of credit and insurance policies delivered with respect to the Reserve Fund;

6. to amend, modify, or eliminate the book-entry registration system for the Bonds;

7. to make such provisions as are necessary or appropriate to ensure the exclusion of interest on the Bonds from gross income for purposes of federal income taxation; and

8. for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Supplemental Trust Agreements with Consent of Owners or Credit Enhancers. The Trust Agreement and the rights and obligations of the Authority, the Owners of the Bonds, and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into when the written consent of the Town and Owners of a majority in aggregate amount of principal of the Bonds then Outstanding shall have been filed with the Trustee; provided that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding.

The Trust Agreement and the rights and obligations of the Town and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Trust Agreement entered into by the Authority and the Trustee, which shall become binding when the written consents of the Town and each provider of a letter of credit or a policy of bond insurance for the Bonds shall have been filed with the Trustee, provided that at such time the payment of all the principal and interest on all Outstanding Bonds shall be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which shall be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of Moody's and Standard & Poor's.

No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the principal amount of any Bond, or extend the time of payment or reduce the amount of any mandatory redemption payment provided for any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of principal the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Trust Agreement prior to or on a parity with the lien created by the Trust Agreement, or deprive the Owners of the Bonds of the lien created by the Trust Agreement on such assets (in each case, except as expressly provided in the Trust Agreement), without the consent of the Owners of all of the Bonds then Outstanding.

Discharge of Trust Agreement

Discharge of Trust Agreement. Any Bond may be paid by the Authority in any of the following ways:

1. by paying or causing to be paid the principal of and interest on the Bond, as and when the same become due and payable;
2. by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or Defeasance Securities in the necessary amount to pay or redeem the Bond; or
3. by delivering the Bond to the Trustee for cancellation.

If all Bonds that are Outstanding have been paid and the Authority has paid or caused to be paid all other sums payable under the Trust Agreement and the Town has paid or caused to be paid all other sums payable under the Facilities Lease, then and in that case, at the election of the Authority, evidenced by a Statement of the Authority filed with the Trustee signifying the intention of the Authority to discharge all such obligations and the Trust Agreement, and notwithstanding that any Bonds shall not have been surrendered for payment, the Trust Agreement, the pledge of assets made thereunder, all covenants and agreements and other obligations of the Authority under the Trust Agreement, and the rights and interests created thereby (except as to any surviving rights of transfer or exchange of Bonds and rights to payment from moneys deposited with the Trustee) shall cease, terminate, become void, and be completely discharged and satisfied.

If all Bonds have been paid as provided in the Trust Agreement, upon request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver to the Authority all moneys or securities or other property held by it pursuant to the Trust Agreement that, as evidenced by a verification report (upon which the Trustee may conclusively rely) from an Independent Accountant or other consultant acceptable to the Trustee, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent, or other fiduciary, in trust, at or before maturity, of money or Defeasance Securities in the necessary amount to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the Authority in respect of such Bond shall cease, terminate, and be completely discharged, except that thereafter (i) the Owner thereof shall be entitled to payment of the principal, premium, if any, and interest on such Bond by the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, and (ii) the Owner thereof shall retain its rights of transfer or exchange of Bonds.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously executed and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[Closing Date]

Members of the Board
Yountville Finance Authority
6550 Yount Street
Yountville, California 94599

Re: Yountville Finance Authority 2008 Lease Revenue Bonds
(Yountville Town Center Project)
(Final Opinion of Bond Counsel)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Yountville Finance Authority (the "Authority") of \$10,710,000 aggregate principal amount of its 2008 Lease Revenue Bonds (Yountville Town Center Project) (the "Bonds"). The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (the "Act") (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and all laws of the State of California supplemental thereto and pursuant to the provisions of a trust agreement (the "Trust Agreement") dated July 1, 2008, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the Town contained in the Trust Agreement, the Facilities Lease, and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. The Authority has been duly created and is validly existing as a public agency of the State of California with full power and authority to enter into the Site Lease, the Facilities Lease, and the Trust Agreement; to perform the other agreements on its part contained in the Trust Agreement; and to issue the Bonds.
2. The Trust Agreement has been duly executed and delivered by the Authority and is a valid and binding obligation of the Authority.
3. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues, as such term is defined in the Trust Agreement, and all other amounts held in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement, to the extent set forth in the Trust Agreement and subject to the provisions of the Trust Agreement that permit the Authority to apply the Revenues and other amounts for the purposes and on the

terms and conditions set forth in the Trust Agreement. The Trust Agreement also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Authority in the Facilities Lease, to the extent more particularly described in the Trust Agreement.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement.

5. The Site Lease and the Facilities Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the Authority and the Town.

6. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the Town, the State of California, or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power. The Bonds are not a debt of the Town, the State of California, or any other political subdivision of the State of California, none of which is liable for the payment thereof.

7. The obligation of the Town to make Rental Payments pursuant to the Facilities Lease does not constitute a debt of the Town or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction and does not constitute an obligation for which the Town is obligated to levy or pledge any form of taxation or for which the Town has levied or pledged any form of taxation.

8. Interest on the Bonds is excludable 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; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the Town comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the Town have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences, arising with respect to the accrual or receipt of interest on, or the ownership or disposition of the Bonds.

9. Interest on the Bonds is exempt from State of California personal income taxes.

The opinions set forth above are further qualified as follows:

a. The rights of the holders of the Bonds and the enforceability of the Bonds, the Site Lease, the Facilities Lease, and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights generally, to the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies imposed on actions against public agencies in the State of California.

b. We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party.

c. We express no opinion as to the effect or availability of any specific remedy provided for in the Trust Agreement or the Facilities Lease under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby.

d. We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Trust Agreement or the Facilities Lease.

e. We express no opinion as to the state or quality of title to any or the real or personal property described in the Site Lease or the Facilities Lease, nor do we express any opinion as to the accuracy or sufficiency of the description of any such property contained therein;

f. We express no opinion as to the enforceability of any remedies under the Facilities Lease with respect to environmental matters to the extent that the exercise or application of such remedies is inconsistent with or in violation of California Code of Civil Procedure section 726.5 or 736 or of California Civil Code section 2929.5;

g. We undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or any other offering materials relating to the Bonds and express no opinion herein with respect thereto;

h. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur. We disclaim any obligation to update this opinion for events occurring after the date hereof.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) is executed and delivered by the Town of Yountville (the “Town”) in connection with the issuance by the Yountville Finance Authority of \$10,710,000 aggregate principal amount of its 2008 Lease Revenue Bonds (Yountville Town Center Project) (the “Bonds”) pursuant to a Trust Agreement dated July 1, 2008 (the “Trust Agreement”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Town agrees and covenants as follows:

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

Section 2. Definitions. Unless the context otherwise requires, the definitions set forth in the Trust Agreement apply to this Disclosure Certificate. The following additional capitalized terms shall have the following meanings:

Annual Report means any report provided by the Town pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

Beneficial Owner means any person that (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Bondholders means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

CPO means the Internet-based filing system currently located at www.DisclosureUSA.org, or such other similar filing system approved by the Securities and Exchange Commission.

Dissemination Agent shall mean the Town, acting in its capacity as Dissemination Agent under this Continuing Disclosure Certificate, or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town a written acceptance of such designation.

Listed Events means any of the events listed in Section 5(a) (Reporting of Significant Events -- Listed Events) of this Disclosure Certificate.

National Repository means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. A list of the National Repositories approved by the Securities and Exchange Commission is available at www.sec.gov/info/municipal/nrmsir.

Official Statement means the final Official Statement relating to the Bonds dated June __, 2008.

Opinion of Counsel means a written opinion of a law firm or attorney experienced in matters relating to the Rule.

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

Repository means each National Repository and each State Repository.

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.

State means the State of California.

State Repository means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date hereof, there is no State Repository.

Section 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repositories. The Town shall, or shall cause the Dissemination Agent to, not later than March 31 of each calendar year, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as a package of separate documents and may include by cross-reference other information as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

b. Change of Fiscal Year. If the Town's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events).

c. Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Town shall provide the Annual Report to the Dissemination Agent (if other than the Town). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Town.

d. Report of Non-Compliance. If the Town is unable to provide an Annual Report to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the Dissemination Agent may file such notice with the CPO.

e. Annual Compliance Certification. The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each Repository; and

(2) if the Dissemination Agent is not the Town itself, file a report with the Town certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided, and listing all the Repositories to which it was provided.

f. Delivery of Annual Report to CPO. In lieu of filing the Annual Report with each Repository in accordance with subsection (a) (Delivery of Annual Report to Repositories), the Dissemination Agent may file such Annual Report solely with the CPO.

Section 4. Content of Annual Reports. The Town's Annual Report shall contain or include by reference the following:

a. Financial Statements. The audited financial statements of the Town for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If the Town's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) (Delivery of Annual Report to Repositories), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in

the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Additional Information. To the extent not contained in the financial statements, the Annual Report shall also contain the following information:

1. The principal amount of Bonds outstanding as of the December 31 next preceding the date of the Annual Report.
2. The amount of money on deposit in the Reserve Fund for the Bonds created under the Trust Agreement, and a statement of the applicable Reserve Requirement, as of the December 31 next preceding the date of the Annual Report.
3. A summary of budgeted general fund revenues and appropriations for the then-current Fiscal Year.
4. The aggregate assessed valuation of taxable property in the Town.
5. A schedule of aggregate annual debt service on the Town's general fund obligations (e.g., capital leases).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Town or related public entities, that have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Town shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

a. Listed Events. Pursuant to the provisions of this Section, the Town shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Bondholders;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds; and
- (11) rating changes.

b. Determination of Materiality of Listed Events. Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall as soon as possible determine if such event would be material under applicable federal securities laws.

c. Notice to Dissemination Agent. If the Town has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Town shall promptly notify the Dissemination Agent (if other than the Town) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) (Notice of Listed Events).

d. Notice of Listed Events. The Town shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) (bond calls) and (9) (defeasances) need

not be given under this subsection any earlier than the notice (if any) given to Bondholders of affected Bonds pursuant to the Trust Agreement.

e. Filing of Notice of Listed Events with CPO. In lieu of filing the notice of the occurrence of a Listed Event, if material, with the Repositories in accordance with subsection (d) (Notice of Listed Events), the Dissemination Agent may file such notice of a Listed Event with the CPO.

Section 6. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the Town of an Opinion of Counsel to the effect that continuing disclosure is no longer required.. If such termination occurs prior to the final maturity of the Bonds, the Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events).

Section 7. Dissemination Agent. a. Appointment of Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Town, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Town pursuant to this Disclosure Certificate.

b. Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the Town for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Town from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Town.

c. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Town agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense, and liability that 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 Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Town, the Bondholders, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Town or an Opinion of Counsel. The obligations of the Town under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the Town that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a) (Delivery of Annual Report to Repositories), 4 (Content of Annual Reports), or 5(a) (Listed Events), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. Compliance as of Issue Date. The undertaking, as amended or taking into account such waiver, would have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and the Town obtains an Opinion of Counsel to that effect; and

c. Consent of Holders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Bondholders, or (ii) does not materially impair the interests of the Bondholders and the Town obtains an Opinion of Counsel to that effect.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the Town shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Town. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 10. Default. If the Town fails to comply with any provision of this Disclosure Certificate any Bondholder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town 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 if the Town fails to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriters, and the Bondholders and shall create no rights in any other person or entity.

Dated: [Closing Date] TOWN OF YOUNTVILLE

By: _____
Finance Director

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Yountville Finance Authority

Name of Bond Issue: Yountville Finance Authority 2008 Lease Revenue Bonds (Yountville Town Center Project)

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Town of Yountville has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed on the date of issuance of the Bonds by the Town, and the Town anticipates that the Annual Report will be filed by _____.

Dated: [Date of Notice]

TOWN OF YOUNTVILLE

By: _____

Finance Director

APPENDIX E

THE BOOK-ENTRY SYSTEM

The information in the following section entitled “DTC’s Book-Entry System” has been provided by DTC for use in securities offering documents, and the Authority and the Town take no responsibility for the accuracy or completeness thereof. The Authority and the Town cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of debt service on or the redemption price of the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. 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 Direct Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, 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 Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.