NAPA VALLEY COMMUNITY COLLEGE DISTRICT

COUNTY OF NAPA

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2017

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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NAPA VALLEY COMMUNITY COLLEGE DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2017

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SUPPLEMENTARY INFORMATION

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Board of Trustees
Napa Valley Community College District
Napa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Napa Valley Community College District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Napa Valley Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Napa Valley Community College District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, and the schedule of funding progress, the schedule of proportionate share of the net pension liability and the schedule of contributions on pages 50 through 52 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Napa Valley Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017 on our consideration of the Napa Valley Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Napa Valley Community College District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 22, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Napa Valley Community College District (the District) was founded in 1942 as a political subdivision of the State of California. It provides higher education in the greater Napa area, which consists of portions of four counties. The District consists of one main campus in Napa with one educational center in St. Helena. The District also offers classes and programs at various other locations throughout the District. The District serves approximately 10,000 full and part-time, credit and non-credit students per semester.

The following discussion and analysis provides an overview of the financial position and activities of the Napa Valley Community College District for the year ended June 30, 2017. Please read it in conjunction with the financial statements and notes thereto which follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

FINANCIAL HIGHLIGHTS

Total net position was $(24.9) million at June 30, 2017. This was a decrease of $2.9 million over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 35 on July 1, 2002. This adoption changed the format and the content of the District's basic financial statements. The District is following the Business Type Activity (BTA) model. Rather than issuing fund-type financial statements, these Statements require the following components to be included in the District's financial statements:

- Management's Discussion and Analysis
- Basic financial statements including Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows for the District as a whole
- Notes to financial statements

Additionally, fund balance is referred to as Net Position, and the Statement of Cash Flows are presented using the direct method.

The basic financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the District's activities.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statement of Net Position presents the assets, liabilities, and net position of the District as of the end of the fiscal year ended June 30, 2017 and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private sector organizations. The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District, or one way to measure the financial health of the District.

The net position is divided into three major categories. The first category, Net investment in Capital Assets, represents the equity amount in property, plant, and equipment owned by the District. The second category is Expendable Restricted Net Position. This net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. Restrictions can also be enforced through agreements, laws, or regulations of creditors, other governmental agencies, imposed bylaws through constitutional provisions or enabling legislation. The final category is Unrestricted Net Position that is available to the District for any lawful purpose. Although unrestricted, the District's Governing Board may place internal restrictions on this net position, but it retains the power to change, remove, or modify such restrictions.

The Statement of Revenues, Expenses, and Changes in Net Position represent the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses. Thus, this statement presents the District's results of operations.

Changes in total net position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, state appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues.

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year, major uses, and sources of cash. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they become due and evaluate the need for external financing.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of District. The second part details cash received for non-operating, non-investing, and non-capital activities of the institution. The third section deals with the cash used for the acquisition and construction of capital and related financing activities. The fourth part provides information from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments. The final section reconciles the net cash from operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The net cash reconciliation is shown in the expanded version of the Statement of Cash Flows in the financial statements.

The Statements of Net Position as of June 30, 2017 and 2016 are summarized below:

	2017	2016	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	$ 167,965,461	$ 167,758,406	$ 207,055
Deferred outflow of resources	9,382,137	5,947,576	3,434,561
Total Assets and Deferred Outflows of Resources	177,347,598	173,705,982	3,641,616
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	21,172,610	15,862,068	5,310,542
Non-current liabilities	178,383,848	181,627,804	(3,243,956)
Deferred inflows of resources	2,666,463	4,029,648	(1,363,185)
Total Liabilities and Deferred Inflows of Resources	202,222,921	201,519,520	703,401
NET POSITION			
Invested in capital assets, net of related debt	8,061,717	1,236,345	6,825,372
Restricted	10,174,264	10,581,100	(406,836)
Unrestricted	(43,111,304)	(39,630,983)	(3,480,321)
Total Net Position	$ (24,875,323)	$ (27,813,538)	$ 2,938,215

The District's total assets and deferred outflows of resources increased $3.6 million or 2.1 percent from the previous year. The majority of the increase was due to changes in deferred outflows of resources as a result of GASB pension standards.

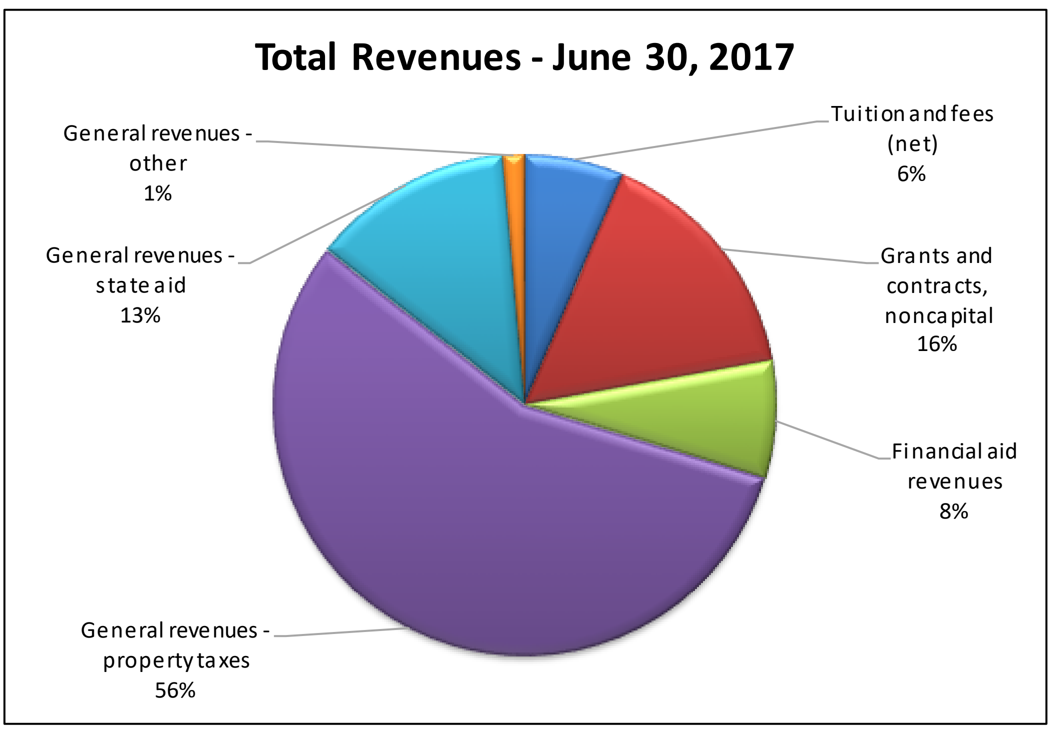
Total liabilities and deferred inflows of resources increased $700K or 0.3 percent. This is related mainly to the changes in pension standards including the increase in the net pension liability off-set by the payoff of the 2006 General Obligation Refunding Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2017 and 2016 are summarized below:

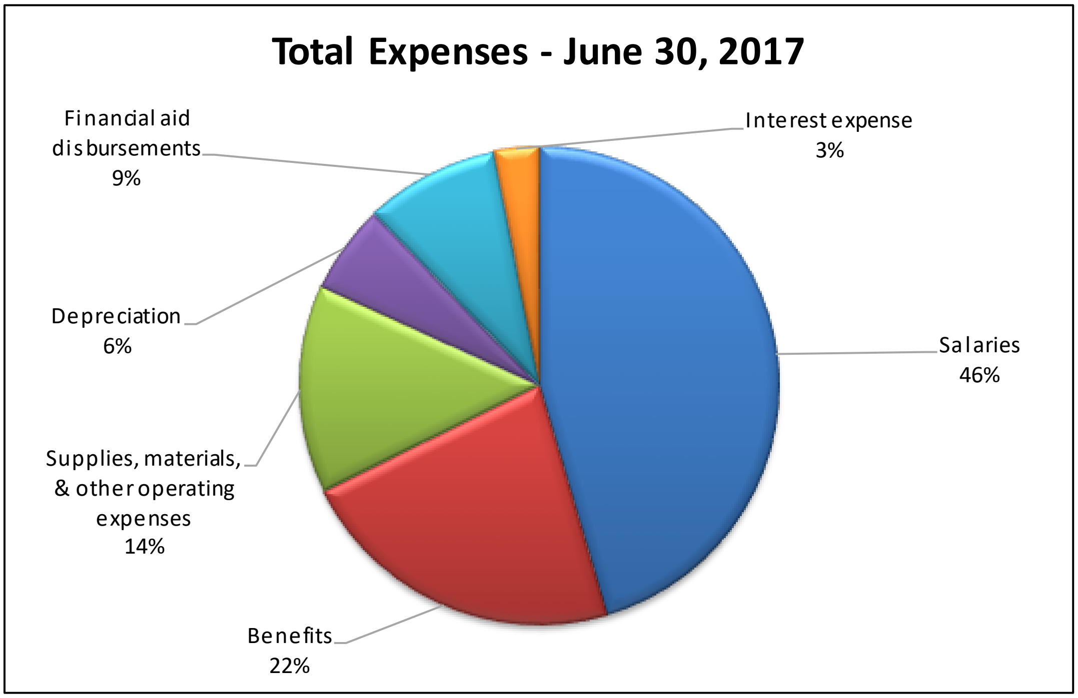
	2017	2016	Change
REVENUES			
Tuition and fees (net)	$ 4,250,004	$ 4,298,116	$ (48,112)
Grants and contracts, noncapital	10,427,566	11,628,879	(1,201,313)
Financial aid revenues	4,947,372	5,572,199	(624,827)
General revenues - property taxes	36,870,717	35,093,421	1,777,296
General revenues - state aid	8,582,240	11,488,564	(2,906,324)
General revenues - other	906,109	459,101	447,008
Total Revenues	65,984,008	68,540,280	(2,556,272)
EXPENSES			
Operating expenses	55,641,237	50,298,326	5,342,911
Financial aid disbursement to students	5,595,838	6,107,427	(511,589)
Interest	1,808,718	7,996,992	(6,188,274)
Total Expenses	63,045,793	64,402,745	(1,356,952)
Change in Net Position	$ 2,938,215	$ 4,137,535	$ (1,199,320)

Operating and nonoperating revenues are comparatively reflected below:



OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Operating and nonoperating expenses are comparatively reflected below:



OVERVIEW OF THE FINANCIAL STATEMENTS, continued

District Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. Net position of fiduciary activities is excluded from the District's net position because the District cannot use fiduciary assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Assets

As of June 30, 2017, the District had approximately $184.0 million invested in capital assets. Capital assets consist of land and land improvements, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other equipment that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of $49.7 million, leaving a net capital asset amount of $134.4 million.

Note 5 to the financial statements provides detailed information on capital assets. A summary of capital assets net of accumulated depreciation and changes therein is presented below:

	2017	2016	Change
Capital Assets not being depreciated	$ 987,397	$ 977,897	$ 9,500
Capital Assets being depreciated	183,056,451	181,772,097	1,284,354
Accumulated depreciation	(49,670,858)	(45,615,606)	(4,055,252)
Total Capital Assets	$ 134,372,990	$ 137,134,388	$ (2,761,398)

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The Legislature of the State of California approved its budget on June 15, 2017. The Governor signed the approved budget on June 27, 2017. The budget includes a $183.6 million increase in operating funds for Community Colleges as well as $57.8 million to fund enrollment growth, and reflects funding levels of $5,072 per Full-Time Equivalent Students (FTES) for credit and career development and college preparation students and $3,050 per FTES for noncredit students.

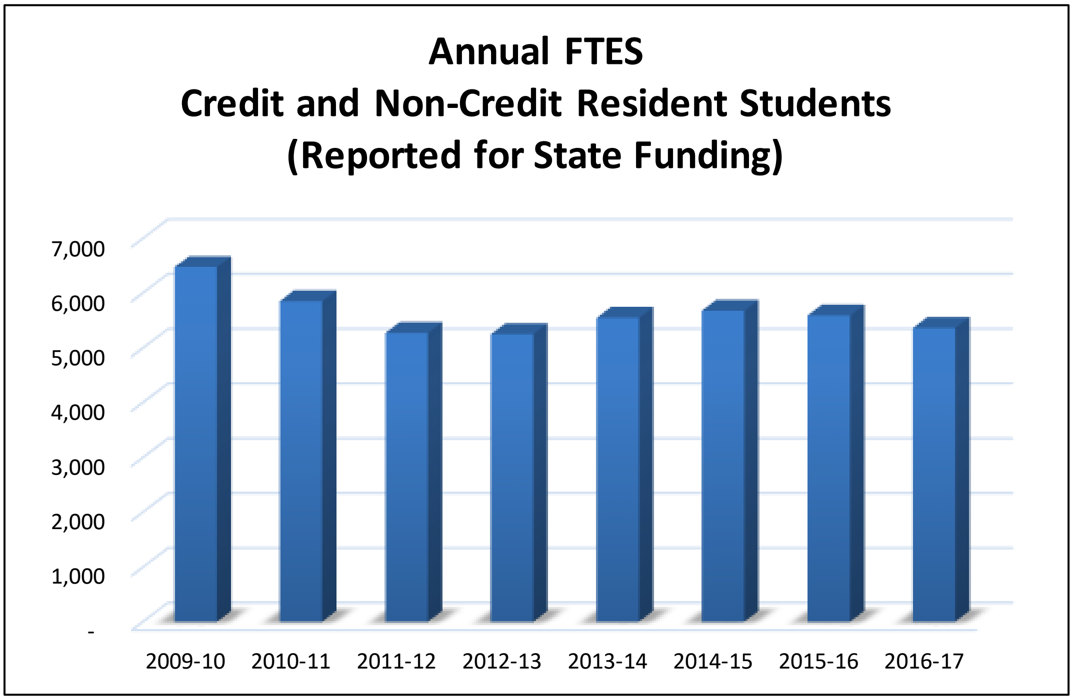
While the approved budget reflects increased funding for Community Colleges, current budget projections indicate Napa Valley College will see a $2.1 million decrease in state funding. This decrease does not, however, reflect a decrease in available funds, as the College forecasts a similar increase in local funding due to increasing property tax revenue. This change in funding source reflects Napa Valley College's shift in 2016-2017 to a "basic aid" or "community supported" district. In a "community supported" district, local revenues meet or exceed the funding estimated by state formulas to be required to support the level of FTES generated based on the previously-stated per FTES funding levels. While the recent wildfires in Northern California will result in a temporary decrease in property tax revenue to Napa Valley College, the decrease is projected to be small and to have no long-term impact on assessed value growth and resulting increases in property tax revenue in Napa County.

Available reserves have exceeded the statutory requirement for 2015-16 and 2016-2017, and while the District has budgeted to use reserves set aside from one-time funding to support annual unusual expenditure levels (such as increases in PERS and STRS contribution rates) the District forecasts that local revenue increases over the next few years will provide funding for these increases on an on-going basis.

The District continues to work towards an institutional strategic focus on enrollment management, revenue generation and preservation, and conscious spending and saving as it transitions to being a community supported district. Through planning and budgeting, functional process analysis, dialogue and transition, Napa Valley College remains a financially sustainable best college.

HISTORICAL FULL TIME EQUIVALENT STUDENTS (FTES) TRENDS

In the 2017 fiscal year, the District reported 5,364 credit and non-credit resident FTES. See the below chart for a historical perspective on the changes in FTES over the past 8 fiscal years.



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, you may contact the Controller, at Napa Valley Community College District, 2277 Napa-Vallejo Highway, Napa, CA 94558.

FINANCIAL SECTION

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS		
Current Assets:		
Cash and cash equivalents	$	26,777,144
Accounts receivable, net		4,817,623
Due from other entities		1,675,498
Prepaid expenditures and other assets		322,206
Total Current Assets		33,592,471
Noncurrent Assets:		
Capital assets, net		134,372,990
Total Noncurrent Assets		134,372,990
TOTAL ASSETS		167,965,461
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions		9,382,137
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	177,347,598
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	7,518,514
Unearned revenue		4,423,959
Funds held in trust on behalf of others		610,137
Long-term debt, current portion		8,620,000
Total Current Liabilities		21,172,610
Noncurrent Liabilities:		
Compensated absences		1,369,719
Net pension liability		36,660,566
Long-term debt, non-current portion		140,353,563
Total Noncurrent Liabilities		178,383,848
TOTAL LIABILITIES		199,556,458
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions		2,666,463
NET POSITION		
Net investment in capital assets		8,061,717
Restricted for:		
Debt service		9,768,735
Capital projects		405,529
Unrestricted		(43,111,304)
TOTAL NET POSITION		(24,875,323)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	177,347,598

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Tuition and fees	$ 7,369,330
Less: Scholarship discounts and allowances	(3,119,326)
Net tuition and fees	4,250,004
Grants and contracts, noncapital:	
Federal	2,440,433
State	7,443,733
Local	543,400
Subtotal	10,427,566
TOTAL OPERATING REVENUES	14,677,570
OPERATING EXPENSES	
Salaries	28,619,064
Employee benefits	13,991,387
Supplies, materials, and other operating expenses and services	8,975,534
Depreciation	4,055,252
TOTAL OPERATING EXPENSES	55,641,237
OPERATING INCOME (LOSS)	(40,963,667)
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	1,421,154
Local property taxes	27,783,737
State taxes and other revenues	2,877,554
Financial aid revenue	4,947,372
Financial aid disbursement to students	(5,595,838)
Investment income	138,223
Interest expense	(1,808,718)
Other non-operating revenues	4,283,532
TOTAL NON-OPERATING REVENUES (EXPENSES)	34,047,016
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(6,916,651)
State apportionments, capital	767,886
Local property taxes and revenues, capital	9,086,980
INCREASE (DECREASE) IN NET POSITION	2,938,215
NET POSITION -- BEGINNING OF YEAR	(27,813,538)
NET POSITION -- END OF YEAR	$ (24,875,323)

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 4,250,004
Grants and contracts	10,112,006
Payments to or on behalf of employees	(38,759,539)
Payments to vendors for supplies and services	(8,629,592)
Net Cash Used by Operating Activities	(33,027,121)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	1,421,154
Property taxes	27,783,737
State taxes and other revenues	2,877,554
Financial aid revenues	4,947,372
Financial aid disbursement to students	(5,595,838)
Other nonoperating revenues	1,590,793
Net Cash Provided by Non-capital Financing Activities	33,024,772
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,293,854)
Local property tax, capital	9,086,980
State apportionments, capital	767,886
Principal paid on capital debt	(10,468,745)
Interest paid on capital debt	3,029,877
Net Cash Provided by Capital Financing Activities	1,122,144
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	138,223
Net Cash Provided by Investing Activities	138,223
NET DECREASE IN CASH & CASH EQUIVALENTS	1,258,018
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	25,519,126
CASH & CASH EQUIVALENTS, END OF YEAR	$ 26,777,144

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(40,963,667)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense		4,055,252
Changes in Assets and Liabilities:		
Receivables, net		(953,894)
Prepaid expenditures and other assets		(176,513)
Deferred outflows of resources		(3,434,561)
Accounts payable and accrued liabilities		522,455
Deferred revenue		638,334
Compensated absences		45,602
Net pension liability		7,202,982
Net OPEB liability		1,400,074
Deferred inflows of resources		(1,363,185)
Total Adjustments		7,936,546
Net Cash Flows From Operating Activities	$	(33,027,121)

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2017

	Agency		
	Associated Students Napa Valley College	**Student Representation Fee**	**District Trust**
ASSETS			
Cash and cash equivalents	$ 89,242	$ 15,705	$ 3,606,513
Accounts receivable	77	-	619,989
Due from governmental funds	17,048	12,370	80,761
Total Assets	106,367	28,075	4,307,263
LIABILITIES			
Accounts payable	688	126	2,448,899
Deferred revenue	16,845	6,040	4,615
Due to governmental funds	1,286	-	1,295,347
Due to student groups	87,548	21,909	-
Total Liabilities	106,367	28,075	3,748,861
NET POSITION			
Reserved	-	-	558,402
Total Net Position	$ -	$ -	$ 558,402

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	District Trust
Additions	
Operating revenues	$ 474,760
Total Additions	474,760
Deductions	
Other operating expenses	347,741
Total Deductions	347,741
CHANGE IN NET POSITION	127,019
NET POSITION, BEGINNING OF YEAR	431,383
NET POSITION, END OF YEAR	$ 558,402

See accompanying notes to the financial statements.

NOTE 1 – ORGANIZATION

The Napa Valley Community College District (the District) was founded in 1942 as a political subdivision of the State of California. It provides higher education in the greater Napa area, which consists of portions of four counties. The District consists of one main campus in Napa with one educational center in St. Helena. The District also offers classes and programs at various other locations throughout the District. The District serves approximately 10,000 full and part-time, credit and non-credit students per semester. Full-Time Equivalent Students (FTES) for 2016-2017 were 5,364.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14 and Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board of Trustee's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by or are dependent on the District's executive and legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing, authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The District, the Napa Valley College Foundation (the Foundation), the Napa Valley Community College District Auxiliary Services Foundation (the District Auxiliary Services Foundation) and the Napa Valley Viticulture & Wine Technology Foundation (the VWT Foundation) have financial and operational relationships that require analysis to determine whether they meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) for inclusion as component units of the District. After analysis, all three entities were determined to not have met these criteria. Accordingly, the separately audited financial statements of the Foundation, the District Auxiliary Services Foundation and the VWT Foundation may be obtained from the District.

NOTE 1 – ORGANIZATION, continued

Financial Reporting Entity, continued

The following are those aspects of the relationship between the District and the component units that satisfies the GASB:

> *Accountability:* The VWT Foundation and the District Auxiliary Services Foundation operate under a master agreement with the District in accordance with the California Education Code requirements. The District is able to impose its will upon the VWT Foundation and the District Auxiliary Services Foundation.
>
> *Discrete Presentation:* For financial presentation purposes, the financial activities of the VWT Foundation and the Auxiliary Services Foundation have been discretely presented with the financial activities of the District.

Joint Powers Agencies and Public Entity Risk Pools

The District is associated with four joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the Northern California Community College Self Insurance Authority (NCCCSIA), Statewide Association of Community Colleges (SWACC), Schools Self-Insurance of Contra Costa County (SSICCC), and Protected Insurance Program for Schools (PIPS). See Note 8 for more information.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place and amounts are available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year end.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include state apportionments, property taxes, certain grants, entitlements, and donations. Revenue from state apportionments is generally recognized in the fiscal year in which it is apportioned from the state. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, now codified in the FASB Accounting Standards Codification, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
    - Statement of Net Position
    - Statement of Revenues, Expenses, and Changes in Net Position
    - Statement of Cash Flows
- Notes to Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair market value. Fair market value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable. The allowance was $931,556 at June 30, 2017.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

Inventory

Inventory, primarily bookstore merchandise, is carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Deferred Charges

Deferred charges are bond issuance costs and are deferred and amortized over the term of bonds using the straight-line method since the results are not significantly different from the effective interest method.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets and Depreciation, continued

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 to 65 years; equipment, 5 to 20 years; library books, 5 years; technology equipment, 5 years. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Deferred Insurance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Compensated Absences

Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from federal and state grants received before the eligibility requirements are met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position." Net position is classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

- **Net investment in Capital Assets –** Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted – Expendable –** Net position whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

- **Unrestricted –** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements reported $10,174,264 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues – The District has classified its revenues as either operating or nonoperating according to the following criteria:

- **Operating revenues –** Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) internal service – self-insurance charges, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans.

- **Nonoperating revenues –** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state apportionments, property taxes, investment income, and other revenue sources described in GASB Statement No. 34.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Operating Revenues and Expenses, continued

Classification of Expenses – Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

- **Operating expenses –** Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

- **Nonoperating expenses –** Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the state are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the State Teachers Retirement System (STRS) on behalf of all community colleges in California. The amounts of on-behalf payments were $694,351.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes, continued

Property taxes are recorded as local revenue sources by the District. The California Community Colleges Chancellor's Office reduces that District's entitlement by the District's local property tax revenue and student fees. The balance is paid from the State's General Fund and is referred to as the State apportionment. The District's base revenue is the amount of general purpose tax revenue, per full-time equivalent student (FTES) that the District is entitled to by law.

Scholarship Discounts and Allowance

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statements of Revenues, Expenditures, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payment on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the statement of Revenues, Expenses, and Changes in Net Position. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

In June 2016, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general-purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District has implemented GASB Statement No. 74 for the year ended June 30, 2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

In June 2016, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the impact on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

In March 2016, GASB issued Statement No. 82*, Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, *and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, it addresses issues regarding (1) the presentation of payroll related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

NOTE 3 – CASH AND INVESTMENTS

Policies and Practices

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

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

NOTE 3 – CASH AND INVESTMENTS, continued

General Authorizations

Primary Institution – Credit Risk

California Government Code, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor's or Aaa, Aa, or A by Moody's indices. The District's investment policy established safety of principal as of primary investment objective. The District's investment in the County investment pool is unrated.

Component Units – Credit Risk

The Component Units' investment policies allow for investment in equity securities and fixed income instruments. Any corporate obligations must be rated BBB or a better rating by Standard & Poor's or a similar rating agency. The Component Units' investments are rated at least BBB or better by Standard & Poor's as of June 30, 2017.

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

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

NOTE 3 – CASH AND INVESTMENTS, continued

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Cash and Investments

Cash and investments as of June 30, 2017, consist of the following:

Governmental Funds:		
Cash on hand and in banks		152,461
Investment in Napa County Investment Pool		26,624,683
Total cash and investments	$	26,777,144

Interest Rate Risk

Interest rate risk is risk to the earnings or market value of a portfolio due to uncertain future interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County Investment Pool and in other investment agreements.

Specific Identification

Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuations is indicated by the 203 day weighted average maturity for the District's deposits of $26,600,455 held with the Napa County Treasurer.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2017. As of June 30, 2017, the Napa County Treasury was not rated.

NOTE 3 – CASH AND INVESTMENTS, continued

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balances were not exposed to custodial credit risk because the individual balances were below $250,000 and as such, were covered under the FDIC insurance limit.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. At June 30, 2017 accounts receivable totaled $4,817,623. All receivables are considered collectible in full. As of December 22, 2017, $2,315,792 has been received.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets not being Depreciated				
Land	$ 977,897	$ 9,500	$ -	$ 987,397
Total Capital Assets not being Depreciated	977,897	9,500	-	987,397
Capital Assets being Depreciated				
Site improvements	42,711,097	267,817	-	42,978,914
Buildings & improvements	120,817,136	-	-	120,817,136
Furniture & equipment	18,243,864	1,016,537	-	19,260,401
Total Capital Assets being Depreciated	181,772,097	1,284,354	-	183,056,451
Total Capital Assets	182,749,994	1,293,854	-	184,043,848
Accumulated Depreciation	45,615,606	4,055,252	-	49,670,858
Net Capital Assets	$ 137,134,388	$ (2,761,398)	$ -	$ 134,372,990

NOTE 6 – LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations for the 2017 fiscal year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Long-Term Obligations					
General obligation bonds	$ 131,337,162	$ 4,838,595	$ 10,468,745	$ 125,707,012	$ 8,620,000
Premium on bonds	5,525,432	-	2,490,815	3,034,617	-
Compensated absences	1,324,117	45,602	-	1,369,719	-
Other postemployment benefits	18,831,860	1,400,074	-	20,231,934	-
Total Long-Term Obligations	$ 157,018,571	$ 6,284,271	$ 12,959,560	$ 150,343,282	$ 8,620,000

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. The General Fund makes payments for the compensated absences, other postemployment benefits and the supplemental employee retirement plan. Accrued vacation will be paid by the fund for which the employee worked.

Original issuance premiums and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt

The outstanding general obligation bonded debt as of June 30, 2017 is as follows:

Series	Issue Date	Yield	Maturity Date	Bonds Outstanding July 1, 2016	Additions	Redeemed	Bonds Outstanding June 30, 2017	Due Within One Year
2002 Series B	3/17/2005	2.35-5.38%	8/1/2029	$ 28,045,641	$ 1,497,779	$ -	$ 29,543,420	$ -
2002 Series C	7/18/2007	4.70-5.18%	8/1/2034	53,251,265	3,057,327	-	56,308,592	-
2006 Refunding	11/16/2006	3.30-4.12%	8/1/2020	6,965,256	283,489	7,248,745	-	-
2015 Refunding	6/3/2014	0.32-2.71%	8/1/2021	43,075,000	-	3,220,000	39,855,000	8,620,000
				$ 131,337,162	$ 4,838,595	$ 10,468,745	$ 125,707,012	$ 8,620,000

2002 General Obligation Bonds, Election 2002, Series B

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was $133,800,000. During March 2005, the District issued, from the November 2002 election, the General Obligation Bonds, Series B in the amount of $64,997,723. The bonds issued consisted of $49,010,000 of Current Interest Serial bonds and $15,987,723 in Capital Appreciation Serial bonds. The bonds mature beginning on August 1, 2006 through August 1, 2029, with interest yields ranging from 2.35 percent to 5.38 percent. At June 30, 2017, the principal balance outstanding (including accreted interest to date) was $29,543,420.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2018	$ -	$ -	$ -	$ -
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	
2023-2027	9,373,286	-	17,456,714	26,830,000
2028-2030	6,614,437	-	15,210,563	21,825,000
Accretion	13,555,697	-	(13,555,697)	-
	$ 29,543,420	$ -	$ 19,111,580	$ 48,655,000

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

2002 General Obligation Bonds, Election 2002, Series C

During July 2007, the District issued, from the November 2002 election, the General Obligation bonds, Series C in the amount of $43,799,997. The bonds issued consisted entirely of Capital Appreciation bonds. The bonds mature beginning on August 1, 2020 through August 1, 2034, with interest yields ranging from 4.70 percent to 5.18 percent. At June 30, 2017, the principal balance outstanding (including accreted interest to date) was $56,308,592.

Fiscal Year	Principal	Accreted Interest	Total
2018	$ -	$ -	$ -
2019	-	-	-
2020	-	-	-
2021	456,251	3,734,168	4,190,419
2022	1,122,223	5,191,724	6,313,947
2023-2027	12,930,436	15,669,564	28,600,000
2028-2032	12,262,726	26,812,274	39,075,000
2033-2035	10,452,727	28,942,273	39,395,000
Accretion	19,084,229	(19,084,229)	-
	$ 56,308,592	$ 61,265,774	$ 117,574,366

2006 General Obligation Bonds, Refunding Bonds

Proceeds from the 2006 General Obligation Refunding Bonds of $43,335,283, issued in November 2006, were used to advance refund a portion of the outstanding Election 2002, Series B bonds. Investments backed by the U.S. government were purchased and placed in an irrevocable trust with an escrow agent. The investments and fixed earnings on the investments are sufficient to fully provide for all future debt service on the refunded bonds, and accordingly the refunding transaction met the criteria for an in-substance defeasance. The liabilities related to the refunded bonds were removed from the District's financial statements for the year ended June 30, 2007.

The bonds issued consisted of $40,410,000 of Current Interest bonds and $2,925,283 in Capital Appreciation bonds. The bonds mature beginning on August 1, 2007 through August 1, 2020, with interest yields ranging from 3.30 percent to 4.12 percent. At June 30, 2017, the principal balance was paid off with the 2015 General Obligation Refunding Bonds.

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

2015 General Obligation Bonds, Refunding Bonds

Proceeds from the 2015 General Obligation Refunding Bonds of $44,755,000, issued in June 2015, were used to advance refund bonds from three issuances; Election 2002, Series C bonds, 2005 General Obligation Refunding bonds and 2006 General Obligation Refunding bonds. Investments backed by the U.S. government were purchased and placed in an irrevocable trust with an escrow agent. The investments and fixed earnings on the investments are sufficient to fully provide for all future debt service on the refunded bonds, and accordingly the refunding transaction met the criteria for an in-substance defeasance. The liabilities related to the refunded bonds were removed from the District's financial statements during the year ended June 30, 2015.

The bonds issued consisted of $44,755,000 of Current Interest serial bonds. The bonds mature beginning on August 1, 2015 through August 1, 2021, with interest yield rates ranging from 0.32 percent to 2.71 percent. At June 30, 2017, the principal balance outstanding (including accreted interest to date) was $39,855,000.

Fiscal Year	Principal	Interest	Total
2018	8,620,000	1,054,763	9,674,763
2019	8,595,000	949,513	9,544,513
2020	9,130,000	796,866	9,926,866
2021	6,610,000	593,633	7,203,633
2022	6,900,000	345,000	7,245,000
	$ 39,855,000	$ 3,739,775	$ 43,594,775

Supplemental Early Retirement Plan

The District provided a board approved SERP retirement plan in 2010. The supplemental Employee Retirement Plan (SERP) is a fixed annuity product designed to qualify under 403 (b) of the Internal Revenue Service Code. Eligibility is restricted to Regular Faculty, Regular Classified or Administrative/Confidential employees in paid status as of December 12, 2009, had at least five years of consecutive service as a regular employee with the District as of June 30, 2010.; was at least 55 years of age as of June 30, 2010; had resigned/retired from employment with the District effective no later than June 30, 2010; and applied for benefits under the plan by February 12, 2010. The District made its final payments related to the SERP during the 2016-17 fiscal year.

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Compensated Absences

Compensated absences refer to accumulated unpaid employee vacation benefits that are accrued as a liability as the benefits are earned. At June 30, 2017, the balance outstanding was $1,369,719.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits in accordance with District employment contracts to all employees and their eligible dependents who retire from the District until attaining age 65 with at least fifteen years in service. When the retiree attains age 65, the District's plan will provide MediCare supplemental coverage for the employee. The District contributes 100 percent of the amount of the benefit premium costs incurred by retirees.

Plan Description and Contribution Information

Membership of the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	228
Active plan members	277
Total	505
Number of participating employers	1

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued

Funded Status and Funding Progress – OPEB Plans

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
June 30, 2015	$ 2,101,343	$ 31,340,402	$ 29,239,059	7%

Actuarial valuations of an ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued

Funded Status and Funding Progress – OPEB Plans, continued

Additional information as of the latest actuarial valuation follows:

Valuation Date	6/30/2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Basis
Amortization Period	23 Years
Asset Valuation	Market Value Basis
Actuarial Assumptions:	
Inflation rate	2.8%
Discount rate	5.0%
Healthcare cost trend rates:	
Long-term	5.0%

Annual OPEB Cost and Net OPEB Asset

The following table shows the elements of the District's annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the District's net OPEB obligation for the year ended June 30, 2017:

Annual required contribution	$ 3,271,983
Interest on net OPEB contribution	941,593
Adjustment to annual ARC	(1,396,135)
Annual OPEB cost (expense)	2,817,441
Contributions made	(1,417,367)
Increase in net OPEB obligation	1,400,074
Net OPEB obligation - July 1, 2016	18,831,860
Net OPEB obligation - June 30, 2017	$ 20,231,934

NOTE 8 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's property and liability coverage is self-insured through the Northern California Community Colleges Self Insurance Authority (NCCCSIA). The District retains the risk up to $1,000 per occurrence. The NCCCSIA retains the risk up to $25,000 on property and $25,000 on liability. Insurance above these levels is ceded to another joint powers authority, Statewide Association of Community Colleges (SWACC) to a level of $25 million on liability and $250 million on property. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been significant reduction in coverage from the prior year.

Workers' Compensation

The District is also a member of the NCCCSIA for its workers' compensation coverage. Workers' compensation coverage is funded to 99% confidence levels with aggregate losses capped at $150,000,000 through the Protected Insurance Program for Schools (PIPS) JPA.

Dental Insurance Program

The District participates in the dental insurance program, organized by the Schools Self-Insurance of Contra Costa County (SSICCC), which is a joint powers authority created to provide dental self-insurance for school districts.

Participation in Public Entity Risk Pools and JPAs

The District pays annual premiums for its property liability and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes. The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

NOTE 9 – NET PENSION LIABILITY

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are member of the California State Teachers' Retirement System (CalSTRS), and Classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 18,447,800	$ 2,724,875	$ 2,099,788	$ 3,256,068
CalPERS	18,212,766	6,657,262	566,675	2,519,536
Total	$ 36,660,566	$ 9,382,137	$ 2,666,463	$ 5,775,604

Pension Plans – California Public Employees' Retirement System (CalPERS)

General Information about the Pension Plan

Plan Description – Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

General Information about the Pension Plan, continued

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.85%	11.85%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $1,905,552.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalPERS

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $6,360,285. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0922 percent and 0.0955 percent, resulting in a net decrease in the proportionate share of 0.0033 percent.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalPERS, continued

For the year ended June 30, 2017, the District recognized pension expense of $2,519,536. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ 2,588,778	$ -
Differences between expected and actual experience	801,452	-
Changes in assumptions	-	566,675
Net changes in proportionate share of net pension liability	1,361,480	-
District contributions subsequent to the measurement date	1,905,552	-
Total	$ 6,657,262	$ 566,675

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 1,656,333	$ 298,250
2019	1,571,237	268,425
2020	786,568	-
2021	737,572	-
	$ 4,751,710	$ 566,675

Actuarial assumptions. For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and the June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.65%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	100%		

*An expected inflation of 2.5% used for this period
**An expected inflation of 3.0% used for this period

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is in the following table:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Plan's net pension liability	$ 27,109,826	$ 18,212,766	$ 10,725,940

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS CAFR at https://www.calpers.ca.gov.

Pension Plans – California State Teachers' Retirement System (CalSTRS)

General Information about the Pension Plan

Plan Description – The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided - The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

General Information about the Pension Plan, continued

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2017 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

Contributions - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $1,464,816.

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately $694,351 to CalSTRS.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	$	18,447,800
State's proportionate share of the net pension liability associated with the District		10,503,549
Total	$	28,951,349

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0228 percent and 0.0229 percent, resulting in a net decrease in the proportionate share of 0.0001 percent.

For the year ended June 30, 2017, the District recognized pension expense of $3,256,068. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$	1,260,059	$	-
Differences between expected and actual experience		-		450,540
Net changes in proportionate share of net pension liability		-		1,649,248
District contributions subsequent to the measurement date		1,464,816		-
Total	$	2,724,875	$	2,099,788

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS, continued

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 236,654	$ 389,659
2019	236,654	389,659
2020	236,653	389,659
2021	550,098	389,659
2022	-	389,655
Thereafter	-	151,497
	$ 1,260,059	$ 2,099,788

Actuarial Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006, through June 30, 2010
Actuarial cost method	Entry Age Normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table**:**

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Absolute Return/Risk Mitigation Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

*20-year geometric average

Discount rate - The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60% percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Plan's net pension liability	$ 26,773,380	$ 18,447,800	$ 11,816,480

NOTE 9 – NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS CAFR at http://www.calstrs.com/comprehensive-annual-financial-report.

NOTE 10 – COMMITMENTS AND CONTINGENCIES, continued

Operating Leases

The District entered into various operating leases for land, buildings, and equipment. All leases contain termination clauses providing for cancellation upon written notice to lessors. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

Construction Commitments

The District had no significant construction commitments at June 30, 2017.

NOTE 11 – RELATED PARTY TRANSACTIONS

As described in Note 1, the Foundation is a supporting organization of the District and the College; therefore, transactions between the Foundation and the District, District personnel, students at the College, and programs of the College, are expected. Per the Foundation's Bylaws, the College President is responsible for Foundation operations and District and College personnel serve in ex-officio and voting capacities on the Foundation's Board.

During the year ended June 30, 2017, the Foundation indirectly supported the District by providing grants to students of the College, paying programmatic expenditures, and/or reimbursing District personnel and departments for programmatic costs.

The Foundation was further supported by the involvement of College and District personnel in the Foundation's events and programs. The total amount of these contributions has not been segregated from the non-District affiliated contributions.

NOTE 12 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2017 through December 22, 2017, the date the financial statements were issued. The District noted that on October 9, 2017, the wildfires that took place in Napa resulted in the loss of a small portion of the Napa County tax base. Based on the local tax assessor, they expect a temporarily reduction in the tax base but they do not expect a long-term impact on the overall assessed value or anticipated future increased in overall assessed property values.

REQUIRED SUPPLEMENTARY INFORMATION

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2015	$ 2,101,343	$ 31,340,402	$ 29,239,059	7%	$ 18,972,000	154%
6/30/2013	$ 1,042,517	$ 28,493,739	$ 27,451,222	4%	$ 17,231,000	159%

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

CalSTRS	2017	2016	2015
District's proportion of the net pension liability	0.023%	0.023%	0.022%
District's proportionate share of the net pension liability	$ 18,447,800	$ 15,380,569	$ 12,049,454
State's proportionate share of the net penesion liability associated with the District	10,503,549	8,134,652	8,799,612
Total	$ 28,951,349	$ 23,515,221	$ 20,849,066
District's covered - employee payroll	$ 11,644,006	$ 8,775,536	$ 6,114,322
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	158.43%	175.27%	197.07%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	76.5%	76.5%

CalPERS	2017	2016	2015
District's proportion of the net pension liability	0.092%	0.096%	0.097%
District's proportionate share of the net pension liability	$ 18,212,766	$ 14,076,924	$ 11,978,041
District's covered - employee payroll	$ 13,718,877	$ 10,502,371	$ 9,807,676
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	132.76%	134.04%	122.13%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	83.4%	83.4%

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	Reporting Fiscal Year		
CalSTRS	**2017**	**2016**	**2015**
Statutorily required contribution	$ 1,464,816	$ 2,031,915	$ 917,434
District's contributions in relation to the statutorily required contribution	1,464,816	2,031,915	917,434
District's contribution deficiency (excess)	-	-	-
District's covered-employee payroll	$ 11,644,006	$ 8,775,536	$ 6,114,322
District's contributions as a percentage of covered-employee payroll	12.58%	23.15%	15.00%

	Reporting Fiscal Year		
CalPERS	**2017**	**2016**	**2015**
Statutorily required contribution	$ 1,905,552	$ 1,447,948	$ 1,223,103
District's contributions in relation to the statutorily required contribution	1,905,552	1,447,948	1,223,103
District's contribution deficiency (excess)	-	-	-
District's covered-employee payroll	$ 13,718,877	10,502,371	9,807,676
District's contributions as a percentage of covered-employee payroll	13.89%	13.79%	12.47%

SUPPLEMENTARY INFORMATION

The Napa Valley Community College District (the District) was founded in 1942 as a political subdivision of the State of California. The college was established to provide higher education in the greater Napa area under the laws of the State of California. Napa Valley College is fully accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges. The District operates under a locally elected seven-member Board form of government. There have been no changes in the District's boundaries during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. Rafael Rios	Board Chair	2020
Ms. Mary Ann Mancuso	Vice President	2018
Ms. Jennifer Baker	Trustee	2020
Mr. Michael Baldini	Trustee	2018
Mr. Kyle Iverson	Trustee	2018
Ms. Amy Martenson	Trustee	2018
Ms. Rosaura Segura	Trustee	2020
Mr. Manveer Sandhu	Student Trustee	2018

DISTRICT ADMINISTRATORS

Dr. Ronald Kraft
Superintendent/President

Mr. Robert Parker
Vice President - Administrative Services

Mr. Erik Shearer
Interim Vice President - Instruction

Mr. Oscar De Haro
Assistant Superintendent/Vice President - Student Affairs

Ms. Charo Albarran
Executive Director of Human Resources

Vacant
Controller

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Pass Through/ Grant Number	CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Department of Education			
STUDENT FINANCIAL AID CLUSTER			
Passed through/direct award			
Federal Work Study	*	84.033	$ 311,900
Talent Search	*	84.044	334,886
Student Support Services	*	84.042	300,285
Title V Higher Education Act			
HSI Stem	*	84.031	515,566
Higher Education - Institutional Aid	P031S150024	84.031S	199,370
Career and Technical Education Act			
CTE Transitions - Perkins IV	*	84.048	43,748
VTEA Title II C - Block Grant	*	84.049	169,415
U.S. DEPARTMENT OF TRANSPORTATION			
FEDERAL HIGHWAY ADMINISTRATION			
Passed through/direct award			
Highway Training and Education	*	20.215	20,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
CDC Training Consortium	*	93.575	9,857
U.S. DEPARTMENT OF COMMERCE			
Small Business Development Center	*	59.037	210,644
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Rising Data	*	43.001	218,298
Total Federal Programs			$ 2,333,969

*Pass-Through number is either not available or not applicable

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAM ENTITLEMENT			PROGRAM REVENUES				
Program Title	Current Year Auth. Amt.	Prior Year Carry-Over	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
Adult Education Block Grant	$ 255,643	$ 232,680	$ 488,323	$ 488,323	$ -	$ 351,398	$ 136,925	$ 136,925
Basic Skills 14/15	-	6,296	6,296	6,296	-	-	6,296	6,296
Basic Skills 15/16	90,000	-	90,000	90,000	-	-	90,000	90,000
Basic Skills CY	-	90,000	90,000	90,000	-	70,117	19,883	19,883
CalWORKS	105,701	-	105,701	105,701	-	-	105,701	105,701
CalWORKS Child Care	40,229	-	40,229	40,229	-	-	40,229	40,229
CalWORKS Work Study	7,442	-	7,442	7,442	-	-	7,442	7,442
CARE - Federal Grant	17,000	-	17,000	17,000	-	-	17,000	17,000
CARE - State Grant	78,026	-	78,026	78,026	-	17,000	61,026	61,026
CTE Enhancement - FOOD	8,329	72,453	80,782	80,782	-	-	80,782	80,782
CTE Enhancement BREW	88,367	-	88,367	88,367	-	-	88,367	88,367
DSN - small Business #5	-	-	-	-	-	-	-	-
DSN - Small Business #6	-	95,902	95,902	35,902	60,000	-	95,902	95,902
DSN - Small Business #7	200,000	-	200,000	200,000	-	-	200,000	200,000
DSN Small Business #3	-	-	-	-	-	-	-	-
DSN Small Business #4	-	-	-	-	-	-	-	-
DSN Small Business #8	100,000	-	100,000	40,000	17,873	-	57,873	57,873
DSPS	1,051,199	-	1,051,199	1,051,199	-	-	1,051,199	1,051,199
EOPS - Federal Grant	43,850	-	43,850	43,850	-	-	43,850	43,850
EOPS - State Grant	662,365	-	662,365	662,365	-	44,105	618,260	618,260
Faculty Staff Diversity (EEO) PY	432	14,089	14,521	14,521	-	10,707	3,814	3,814
Faculty Staff Diversity (EEO) CY	-	4,533	4,533	4,533	-	4,533	-	-
Financial Aid - BFAP	244,750	-	244,750	244,750	-	-	244,750	244,750
Foster Parent Training - CSEC	4,250	-	4,250	2,550	1,700	-	4,250	4,250
Foster Parent Training (state funds)	41,744	-	41,744	35,125	3,612	-	38,737	38,737
Instructional Equipment On going PY	-	211,724	211,724	211,724	-	-	211,724	211,724
Instructional Equipment On going CY	450,549	-	450,549	450,549	-	-	450,549	450,549
IT - Instructional Equipment	-	-	-	-	-	-	-	-
Leadership Accademy	50,000	-	50,000	50,000	-	48,689	1,311	1,311
Lottery Funds	424,960	-	424,960	424,960	-	-	424,960	424,960
Matriculation - Non-Credit PY	-	-	-	-	-	-	-	-
Matriculation - Non-Credit CY	51,186	-	51,186	51,186	-	27,655	23,531	23,531
Matriculation (SSSP)- Credit	1,536,008	349,771	1,885,779	1,885,779	-	674,153	1,211,626	1,211,626
Matriculation PY	-	349,771	349,771	349,771	-	-	349,771	349,771
MESA	77,893	-	77,893	30,300	33,034	-	63,334	63,334
PT Faculty Compensation	165,615	-	165,615	165,615	-	-	165,615	165,615
Student Success (Equity)	506,218	191,927	698,145	698,145	-	374,369	323,776	323,776
Student Success (Equity) PY	-	191,927	191,927	191,927	-	-	191,927	191,927
TANF (State Funds)	16,202	-	16,202	16,202	-	-	16,202	16,202
Tech Assist Provider of Curr	52,000	-	52,000	31,848	-	-	31,848	31,848
Transfer & Articulation PY	-	522	522	522	-	276	246	246
YEP - Rancho Santiago	50,000	-	50,000	5,000	-	-	5,000	5,000
Total State Programs	$ 6,419,958	$ 1,811,595	$ 8,231,553	$ 7,990,489	$ 116,219	$ 1,623,002	$ 6,483,706	$ 6,483,706

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit*	64.02	-	64.02
2. Credit	97.09	-	97.09
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit*	31.64		31.64
2. Credit	392.43	-	392.43
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,889.29	-	2,889.29
(b) Daily Census Contact Hours	199.22	-	199.22
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	410.96	-	410.96
(b) Credit	506.87	-	506.87
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	633.30	-	633.30
(b) Daily Census Contact Hours	139.23	-	139.23
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	5,364.05	-	5,364.05
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	27.99	-	27.99
2. Noncredit	-	-	-
Total Basic Skills FTES	27.99	-	27.99
CCFS 320 Addendum			
CDCP Noncredit FTES	11.99	-	11.99
Centers FTES			
1. Credit	19.64	-	19.64
2. Noncredit*	506.61	-	506.61
Total Centers FTES	526.25	-	526.25

*Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	6,594,743	-	6,594,743	6,594,743	-	6,594,743
Other	1300	4,353,331	-	4,353,331	4,353,331	-	4,353,331
Total Instructional Salaries		10,948,074	-	10,948,074	10,948,074	-	10,948,074
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,412,523	-	3,412,523
Other	1400	-	-	-	210,168	-	210,168
Total Non-Instructional Salaries		-	-	-	3,622,691	-	3,622,691
Total Academic Salaries		10,948,074	-	10,948,074	14,570,765	-	14,570,765
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	5,407,035	-	5,407,035
Other	2300	-	-	-	485,666	-	485,666
Total Non-Instructional Salaries		-	-	-	5,892,701	-	5,892,701
Instructional Aides							
Regular Status	2200	570,172	-	570,172	570,172	-	570,172
Other	2400	263,297	-	263,297	263,297	-	263,297
Total Instructional Aides		833,469	-	833,469	833,469	-	833,469
Total Classsified Salaries		833,469	-	833,469	6,726,170	-	6,726,170
Employee Benefits	3000	3,157,909	-	3,157,909	6,595,679	-	6,595,679
Supplies and Materials	4000	-	-	-	697,383	-	697,383
Other Operating Expenses	5000	603,051	-	603,051	3,379,358	-	3,379,358
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		15,542,503	-	15,542,503	31,969,355	-	31,969,355
Exclusions							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Srvcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	25,169	-	25,169
Lottery Expenditures							
Academic Salaries	1000	-	-	-	510,598	-	510,598
Classified Salaries	2000	-	-	-	295	-	295
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	12,455	-	12,455
Total Supplies and Materials		-	-	-	12,455	-	12,455
Other Operating Expenses and Services	5000	-	-	-	398,991	-	398,991
Capital Outlay	6000						
Library Books	6300	-	-	-	3,000	-	3,000
Equipment	6400						
Equipment - Additional	6410	-	-	-	1,467	-	1,467
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	1,467	-	1,467
Total Capital Outlay		-	-	-	4,467	-	4,467
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		$ -	$ -	$ -	$ 951,975	$ -	$ 951,975
Total for ECS 84362, 50% Law		$ 15,542,503	$ -	$ 15,542,503	$ 31,017,380	$ -	$ 31,017,380
Percent of CEE (Instructional Salary Cost/Total CEE)		50.11%	0.00%	50.11%	100.00%	0.00%	100.00%
50% of Current Expense of Education					$ 15,508,690	$ -	$ 15,508,690

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

EPA Revenue	541,872

Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	541,872	-	-	541,872
Total		541,872	-	-	541,872

See accompanying note to the supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. District Organizational Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

B. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

C. Schedule of Revenues and Expenditures of State Awards

The accompanying schedule of expenditures of State Awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

D. Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

E. Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

F. Reconciliation of the ECS 84632 (50 Percent Law) Calculation

This schedule reports any audit adjustments made to the reported data to ensure that a minimum of 50 percent of the District's current expense of education is expended for salaries of classroom instructors.

G. Details of the Education Protection Account

This schedule reports the District revenue and expenditure classification of the Proposition 30 Education Protection Account funds.

OTHER INDEPENDENT AUDITORS' REPORTS

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Trustees
Napa Valley Community College District
Napa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Napa Valley Community College District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Napa Valley Community College District's basic financial statements, and have issued our report thereon dated December 22, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

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

Purpose of this Report

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

CWDL, Certified Public Accountants

San Diego, California
December 22, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
Napa Valley Community College District
Napa, California

Report on Compliance for Each Major Federal Program

We have audited Napa Valley Community College District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Napa Valley Community College District's major federal programs for the year ended June 30, 2017. Napa Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Napa Valley Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Napa Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Napa Valley Community College District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Napa Valley Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Napa Valley Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Napa Valley Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Napa Valley Community College District's internal control over compliance.

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

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

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

CWDL, Certified Public Accountants

San Diego, California
December 22, 2017

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Napa Valley Community College District
Napa, California

Report on State Compliance

We have audited Napa Valley Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Napa Valley Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Napa Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Napa Valley Community College District's compliance with those requirements.

Basis for Modified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the annual Certification of CCFS-311 #2017-1. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the program.

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Modified Opinion

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Audit Findings and Questioned Costs.

Other Matters

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

Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Instructional Service Agreements/Contracts
Section 424 – State General Apportionment Funding System
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428 – Student Equity
Section 429 – Student Success and Suport Program (SSSP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 435 – Open Enrollment
Section 439 – Proposition 39 Clean Energy
Section 440 – Intersession Extension Program
Section 475 – Disabled Student Programs and Services (DSPS)
Section 479 – To Be Arranged Hours (TBA)
Section 490 – Proposition 1D State Bond Funded Projects
Section 491 – Proposition 55 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2016-17*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 22, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program of Cluster
84.007, 84.032, 84.033 84.063, 84.375	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Modified

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.*

There were no financial statement findings or questioned costs identified during 2016-17.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2016-17.

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

FINDING #2017-1 – ANNUAL CCFS-311 REPORTING

Criteria: The California Community Colleges Chancellor's Office requires that each community college district report the financial activity of the General Fund on a quarterly basis via the CCFS-311Q report and the districts' total revenues and expenditures for the fiscal year via the CCFS-311 by October 10 of each year. This report is also required to include the adopted budget for the subsequent fiscal year.

Condition: In our testing of the District annual CCFS-311 for the fiscal year 2016-17 we noted that the certification and filing did not occur by October 10, 2017.

Questioned Costs: No questioned costs noted.

Effect: Noncompliance with submission requirements for the annual CCFS-311.

Cause: The annual CCFS-311 report was certified to the State Chancellor's Office on December 22, 2017.

Recommendation: We recommend that in accordance with the instructions of the State Chancellor's Office for the Annual Financial and Budget Report requirements, the annual activity of all funds of the District be made available to the public on or before September 30 of each year and be submitted to the Chancellor's Office no later than October 10 of each year.

District Response: The final CCFS-311 report for 2016-17 was completed and filed with the State Chancellor's Office. It is expected that all subsequent reports will be completed in a timely fashion.

FINDING #2016-1 – 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses

Criteria: For special part-time students who are enrolled in more than 11.99 units per semester, the District is required to assess enrollment fees for all units once 11.99 (less than 12) units are exceeded and student becomes a special full-time student.

- Education Code Sections 76001(d) and 76300

Condition: It was noted in our testing of 20 special admit students that 1 special admit student who was enrolled in more than 11.99 units (full-time designation) for the Fall 2015 semester was not assessed enrollment fees. Following that result, we requested detail for all full-time special admit students during the 2015-16 fiscal year. This procedure identified 8 additional full-time special admit students with over (9 students in total), which were not assessed enrollment fees.

Questioned Costs: The 9 full-time special admit students identified by our testing should have been assessed enrollment fees for a combined total of 116.5 units at $46 per unit. The District should have assessed $5,359 in enrollment fees for these students.

Context: 9 of 28 special admit students tested (including 100% of full-time special admit students enrolled during the 2015-16 fiscal year)

Effect: Noncompliance with Education Code 76300

Recommendation: We recommend that the District perform regular system queries for full-time special admit students to ensure that all full-time special admit students are identified and assessed enrollment fees for all units.

District Response: The District concurs with this recommendation and has implemented procedures to ensure the future identification and assessment of enrollment fees for all full-time special admit students.

Current Status: Implemented