

**NAPA VALLEY
COMMUNITY COLLEGE DISTRICT**

COUNTY OF NAPA

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**



**COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT**
CERTIFIED PUBLIC ACCOUNTANTS

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

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, 2016, 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.

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, 2016, 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 56 through 58 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 by the OMB Uniform Guidance, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016 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
November 1, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 fiscal year ended June 30, 2016. 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 \$(27.8) million at June 30, 2016. This was an increase of \$3.0 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.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016 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.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016 and 2015 are summarized below:

	2016	2015	Net Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	\$ 167,758,406	\$ 164,790,477	\$ 2,967,929
Deferred outflow of resources	5,947,576	2,140,537	3,807,039
Total Assets and Deferred Outflows of Resources	173,705,982	166,931,014	6,774,968
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	15,862,068	15,757,155	104,913
Non-current liabilities	181,627,804	174,030,358	7,597,446
Deferred inflows of resources	4,029,648	7,999,738	(3,970,090)
Total Liabilities and Deferred Inflows of Resources	201,519,520	197,787,251	3,732,269
NET POSITION			
Invested in capital assets, net of related debt	1,236,345	2,556,179	(1,319,834)
Restricted	10,581,100	9,450,594	1,130,506
Unrestricted	(39,630,983)	(42,863,010)	3,232,027
Total Net Position	\$ (27,813,538)	\$ (30,856,237)	\$ 3,042,699

The District's total assets and deferred outflows of resources increased \$6.8 million or 4.1 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 \$3.7 million or 1.8 percent. This is related mainly to the changes in pension standards including the increase in the net pension liability and the deferred inflows of resources.

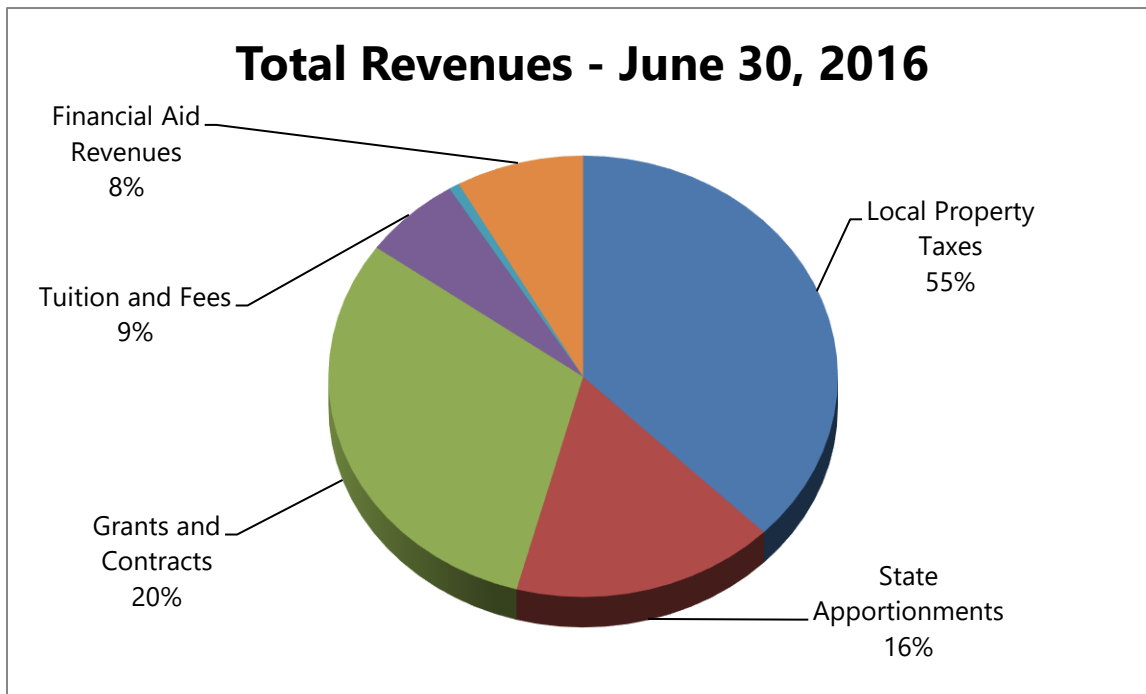
**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2016 and 2015 are summarized below:

	2016	2015	Net Change
REVENUES			
Tuition and fees (net)	\$ 4,298,116	\$ 4,339,009	\$ (40,893)
Grants and contracts, noncapital	11,628,879	11,313,890	314,989
Financial aid revenues	5,572,199	6,390,997	(818,798)
General revenues - property taxes	35,093,421	30,307,037	4,786,384
General revenues - state aid	11,488,564	5,381,731	6,106,833
General revenues - other	459,101	370,041	89,060
Total Revenues	68,540,280	58,102,705	10,437,575
EXPENSES			
Operating expenses	50,298,326	47,220,524	3,077,802
Financial aid disbursement to students	6,107,427	6,775,674	(668,247)
Interest	7,996,992	5,710,318	2,286,674
Total Expenses	64,402,745	59,706,516	4,696,229
Change in Net Position	\$ 4,137,535	\$ (1,603,811)	\$ 5,741,346

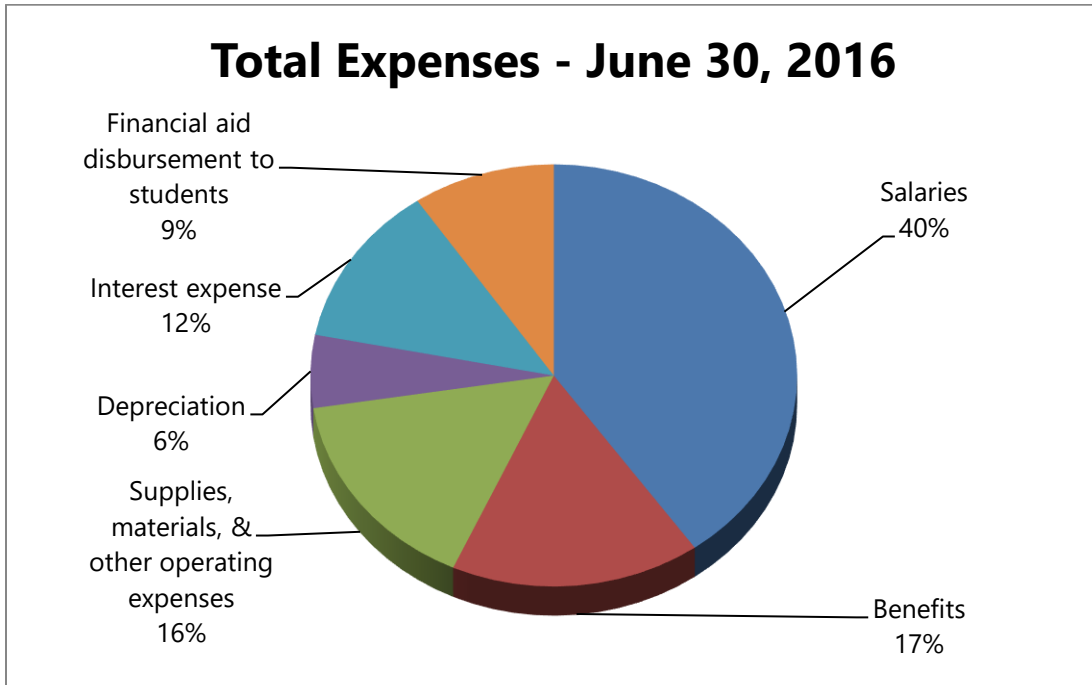
Operating and nonoperating revenues are comparatively reflected below:



**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Operating and nonoperating expenses are comparatively reflected below:



**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016, the District had approximately \$182.7 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 \$45.6 million, leaving a net capital asset amount of \$137.1 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:

CAPITAL ASSETS	2016	2015	Net Change
Land and construction in progress	\$ 977,897	\$ 977,897	\$ -
Buildings and equipment	181,772,097	181,351,679	420,418
Accumulated depreciation	(45,615,606)	(42,028,850)	(3,586,756)
Total Capital Assets	\$ 137,134,388	\$ 140,300,726	\$ (3,166,338)

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The State of California approved its budget on June 24, 2016. The budget reflects a strong rebound in state revenues which have primarily benefited the Proposition 98 guarantee for schools and community colleges. California Community Colleges saw a Cost of Living Adjustment (COLA) of 1.02%, increases in general operating and categorical programs, deferred maintenance funding, \$94.5 million to eliminate deferrals system wide, \$632 million to pay down mandates, plus direct funding to increase the number of full-time faculty.

Current budget projections indicate Napa Valley College would receive an additional \$1.2 million from the state, increasing funding from \$4,675 to \$5,004 for each full-time student equivalent enrolled in for-credit studies. Funding for non-credit students would go up to \$2,811 per student, from \$3,009.

Despite the positive outlook state wide, Districts were reminded by Governor Brown that Proposition 30, a four-year sales-tax increase ratified in 2012, which channeled hundreds of millions of dollars to community colleges, is set for components to be expiring after December 2016.

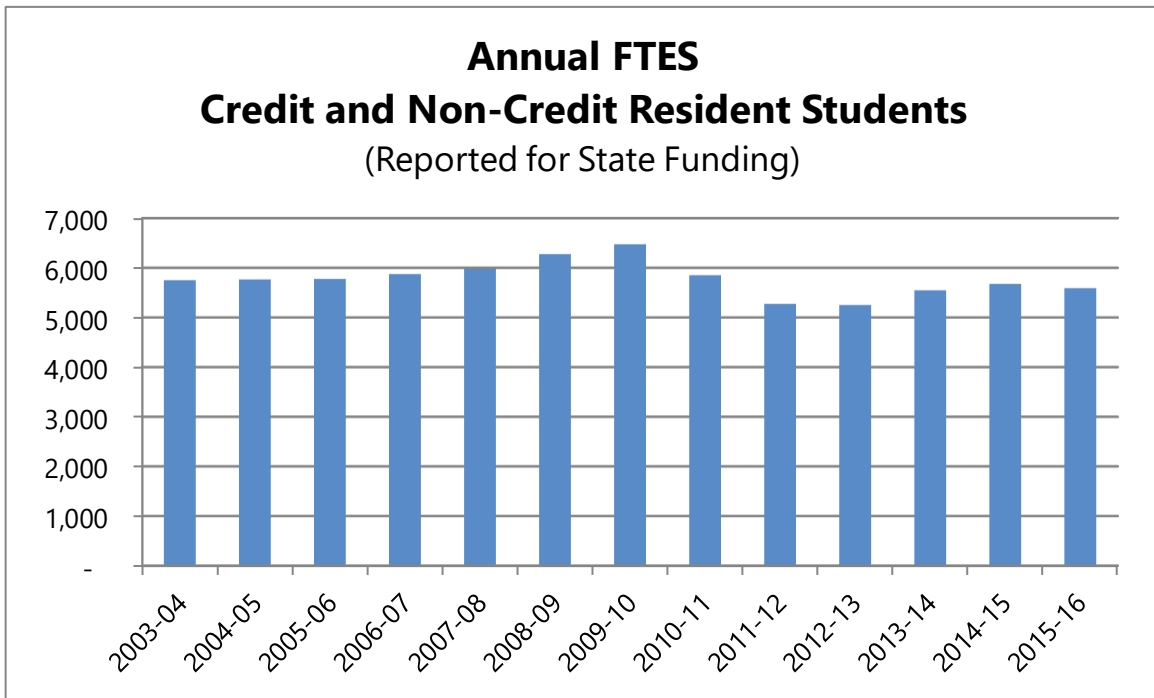
While we are pleased to see so much funding restored to the system after the dramatic reductions of the economic downturn, some areas of concern still remain. We note that Proposition 30 revenues are temporary – the sales tax increase ends on December 31, 2016, and the income tax increase ends two years later. Without an extension of these taxes, there is a threat of reduced funding or very slow growth in the not too distant future. At the same time, we understand the need to address the CalSTRS and CalPERS pension shortfalls, the rate increases will significantly impact future district budgets. Further, while the 2013 and 2015 Budget Acts fund the statutory COLAs for those years, no progress has been made toward restoring the lost purchasing power from earlier years.

The District will work towards an institutional strategic focus on enrollment management, revenue generation and preservation, and conscious spending and saving. Through planning and budgeting, functional process analysis, dialogue and transition, Napa Valley College remains a financially sustainable best college.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

HISTORICAL FULL TIME EQUIVALENT STUDENTS (FTES) TRENDS

In the 2016 fiscal year, the District reported 5,590 credit and non-credit resident FTES. See the below chart for a historical perspective on the changes in FTES over the past 13 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, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 25,519,126
Accounts receivable	3,863,729
Prepaid expenses	145,693
Due from other entities	1,095,470
Total Current Assets	<u>30,624,018</u>

NONCURRENT ASSETS

Capital assets, net of accumulated depreciation	137,134,388
Total Noncurrent Assets	<u>137,134,388</u>
TOTAL ASSETS	<u>167,758,406</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension contributions	<u>5,947,576</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	6,996,059
Fund held in trust on behalf of others	232,033
Deferred revenue	3,785,625
Current Portion - Long-term debt	4,848,351
Total Current Liabilities	<u>15,862,068</u>

NONCURRENT LIABILITIES

Net pension liability	29,457,584
Noncurrent portion - Long-term debt	152,170,220
Total Noncurrent Liabilities	<u>181,627,804</u>
TOTAL LIABILITIES	<u>197,489,872</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows on unrealized pension investment gains	<u>4,029,648</u>
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NET POSITION

Invested in capital assets, net of related debt	1,236,345
Restricted for:	
Debt service	9,616,549
Capital projects	964,551
Unrestricted	(39,630,983)
TOTAL NET POSITION	<u>\$ (27,813,538)</u>

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Student Tuition and Fees	\$ 7,743,539
Less: Scholarship discount & allowance	(3,445,423)
Net tuition & fees	<u>4,298,116</u>
Grants and Contracts, noncapital:	
Federal	2,255,169
State	7,435,583
Local	1,938,127
Subtotal	<u>11,628,879</u>
TOTAL OPERATING REVENUES	<u>15,926,995</u>
OPERATING EXPENSES	
Salaries	25,870,969
Benefits	10,697,809
Supplies, materials, & other operating expenses	10,142,792
Depreciation	3,586,756
TOTAL OPERATING EXPENSES	<u>50,298,326</u>
OPERATING LOSS	<u>(34,371,331)</u>
NONOPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	3,819,812
Local property taxes	34,890,027
State taxes & other revenues	7,668,752
Financial aid revenue	5,572,199
Financial aid disbursement to students	(6,107,427)
Investment income - Non-capital	39,948
Interest expense	(7,996,992)
TOTAL NONOPERATING REVENUES	<u>37,886,319</u>
GAIN BEFORE OTHER REVENUES	3,514,988
OTHER REVENUES	
State revenues, capital	419,153
Local property taxes and revenues, capital	203,394
TOTAL OTHER REVENUES	<u>622,547</u>
CHANGE IN NET POSITION	4,137,535
NET POSITION, BEGINNING OF YEAR	<u>(30,856,237)</u>
ADJUSTMENT FOR RESTATEMENT (see Note 13)	(1,094,836)
NET ASSETS, AS RESTATED	<u>(31,951,073)</u>
NET POSITION, END OF YEAR	<u>\$ (27,813,538)</u>

See accompanying notes to the financial statements.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 4,400,374
Grants and contracts	11,709,680
Payments to or on behalf of employees	(36,568,778)
Payments to vendors for supplies and services	(9,978,860)
Net Cash Used by Operating Activities	<u>(30,437,584)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	3,819,812
Property taxes	34,890,027
State taxes and other revenues	9,359,613
Net Cash Provided by Non-capital Financing Activities	<u>48,069,452</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(505,342)
Local property tax, capital projects	203,394
Principal paid on capital debt	(4,568,410)
Interest paid on capital debt	(2,678,832)
Net Cash Used by Capital Financing Activities	<u>(7,549,190)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	39,948
Net Cash Provided/(Used) by Investing Activities	<u>39,948</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	10,122,626
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>15,396,500</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 25,519,126</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (34,371,331)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	3,586,756
Changes in Assets and Liabilities:	
Receivables, net	(249,574)
Prepaid items	81,665
Accounts payable and accrued liabilities	71,346
Deferred revenue	349,376
Compensated absences	94,178
Total Adjustments	<u>3,933,747</u>
Net Cash Flows From Operating Activities	<u>\$ (30,437,584)</u>

See accompanying notes to the financial statements.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2016**

	Agency		
	Associated Students	Student	District Trust
	Napa Valley College	Representation Fee	
ASSETS			
Cash and cash equivalents	\$ 98,101	\$ 33,168	\$ 949,474
Investments	-	-	1,884,081
Accounts receivable	67	-	552,131
Due from governmental funds	34,885	1,449	106,097
Total Assets	133,053	34,617	3,491,783
LIABILITIES			
Accounts payable	-	3,147	1,889,114
Deferred revenue	15,434	5,861	24,390
Due to governmental funds	144	10,000	1,146,896
Due to student groups	117,475	15,609	-
Total Liabilities	133,053	34,617	3,060,400
NET POSITION			
Reserved	-	-	431,383
Total Net Position	\$ -	\$ -	\$ 431,383

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, 2016**

	District Trust
Additions	
Operating revenues	\$ 431,383
Total Additions	<u>431,383</u>
Deductions	
Other operating expenses	273,317
Total Deductions	<u>273,317</u>
CHANGE IN NET POSITION	<u>158,066</u>
NET POSITION, BEGINNING OF YEAR	<u>273,317</u>
NET POSITION, END OF YEAR	<u>\$ 431,383</u>

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 2015-2016 were 5,590.

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 the VWT Foundation and the District Auxiliary Services Foundation were determined to have met these criteria, while the Foundation did not. Accordingly, the financial activities of the VWT Foundation and the District Auxiliary Services Foundation have been included in the financial statements of the District. The separately audited financial statements of the Foundation, District Auxiliary Services Foundation, and the VWT Foundation may be obtained from the District.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

Presentation: For financial presentation purposes, the financial activities of the VWT Foundation and the Auxiliary Services Foundation have been presented in separately audited financial statements.

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, 2016.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

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 report \$10,581,100 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 \$1,755,055.

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.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Change in Accounting Principles, continued

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should 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 pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

Single employers are those whose employees are provided with defined benefit pensions through single employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

Agent employers are those whose employees are provided with defined benefit pensions through agent multiple employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Change in Accounting Principles, continued

This Statement is effective for fiscal years beginning after June 15, 2015. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

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.

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.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 the 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, 2016.

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

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, consist of the following:

Governmental Funds:

Cash on hand and in banks	203,305
Investment in Napa County Investment Pool	25,315,821
Total cash and investments	<u>\$ 25,519,126</u>

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 228 day weighted average maturity for the District's deposits of \$19,134,330 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, 2016. As of June 30, 2016, the Napa County Treasury was not rated.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 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, 2016 accounts receivable totaled \$3,863,729. All receivables are considered collectible in full. As of November 1, 2016, \$1,547,301 has been received.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital Assets not being Depreciated				
Land	\$ 977,897	\$ -	\$ -	\$ 977,897
Total Capital Assets not being Depreciated	977,897	-	-	977,897
Capital Assets being Depreciated				
Site improvements	42,711,097	-	-	42,711,097
Buildings & improvements	120,817,136	-	-	120,817,136
Furniture & equipment	17,823,446	436,006	15,588	18,243,864
Total Capital Assets being Depreciated	181,351,679	436,006	15,588	181,772,097
Total Capital Assets	182,329,576	436,006	15,588	182,749,994
Accumulated Depreciation	42,028,850	3,586,756	-	45,615,606
Net Capital Assets	\$ 140,300,726	\$ (3,150,750)	\$ 15,588	\$ 137,134,388

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – LONG-TERM OBLIGATIONS

Summary

The changes in the District’s long-term obligations for the 2016 fiscal year consisted of the following:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Long-Term Obligations					
General obligation bonds	\$ 132,057,091	\$ 5,007,909	\$ 5,727,838	\$ 131,337,162	\$ 4,848,351
Premium on bonds	6,580,935	-	1,055,503	5,525,432	-
Compensated absences	1,229,939	94,178	-	1,324,117	-
Other postemployment benefits	17,261,173	1,570,687	-	18,831,860	-
Total Long-Term Obligations	<u>\$ 157,129,138</u>	<u>\$ 6,672,774</u>	<u>\$ 6,783,341</u>	<u>\$ 157,018,571</u>	<u>\$ 4,848,351</u>

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.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt

The outstanding general obligation bonded debt as of June 30, 2016 is as follows:

Series	Issue Date	Yield	Maturity Date	Bonds			Bonds	
				Outstanding July 1, 2015	Additions	Redeemed	Outstanding June 30, 2016	Due Within One Year
2002 Series B	3/17/2005	2.35-5.38%	8/1/2029	\$ 28,167,536	\$ 1,418,105	\$ 1,540,000	\$ 28,045,641	\$ -
2002 Series C	7/18/2007	4.70-5.18%	8/1/2034	50,361,111	2,890,154	-	53,251,265	-
2005 Refunding	3/4/2005	2.47-3.96%	8/1/2018	2,065,000	-	2,065,000	-	-
2006 Refunding	11/16/2006	3.30-4.12%	8/1/2020	7,423,444	699,650	1,157,838	6,965,256	1,628,351
2014 Refunding	6/3/2014	0.32-2.71%	8/1/2021	44,040,000	-	965,000	43,075,000	3,220,000
				<u>\$ 132,057,091</u>	<u>\$ 5,007,909</u>	<u>\$ 5,727,838</u>	<u>\$ 131,337,162</u>	<u>\$ 4,848,351</u>

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, 2016, the principal balance outstanding (including accreted interest to date) was \$28,045,641.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2017	-	1,928,300	-	1,928,300
2018	-	1,858,500	-	1,858,500
2019	-	1,760,750	-	1,760,750
2020	-	1,650,500	-	1,650,500
2021	-	1,379,750	-	-
2022-2026	6,306,958	2,228,000	11,228,042	19,763,000
2027-2030	9,680,765	-	21,439,235	31,120,000
Accretion	12,057,918	-	(12,057,918)	-
				<u>\$ 28,045,641</u>
		<u>\$ 10,805,800</u>	<u>\$ 20,609,359</u>	<u>\$ 59,460,800</u>

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the principal balance outstanding (including accreted interest to date) was \$53,251,265.

Fiscal Year	Principal	Accreted Interest	Total
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	456,251	3,734,168	4,190,419
2022-2026	13,202,118	19,501,829	32,703,947
2027-2031	9,380,969	19,259,031	28,640,000
2032-2035	14,185,025	37,854,975	52,040,000
Accretion	16,026,902	(16,026,902)	-
	\$ 53,251,265	\$ 64,323,101	\$ 117,574,366

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

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 fiscal 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, 2016, the principal balance outstanding (including accreted interest to date) was \$6,965,256.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2017	\$ 1,628,351	\$ 1,192,500	\$ 3,396,649	\$ 6,217,500
2018	-	1,192,500	-	1,192,500
2019	-	929,000	-	929,000
2020	-	639,500	-	639,500
2021	-	175,000	-	175,000
Accretion	5,336,905	-	(5,336,905)	-
	<u>\$ 6,965,256</u>	<u>\$ 4,128,500</u>	<u>\$ (1,940,256)</u>	<u>\$ 9,153,500</u>

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 fiscal 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, 2016, the principal balance outstanding (including accreted interest to date) was \$43,075,000.

Fiscal Year	Principal	Interest	Total
2017	\$ 3,220,000	\$ 1,077,658	\$ 4,297,658
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
	\$ 43,075,000	\$ 4,817,433	\$ 47,892,433

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 2015-16 fiscal year.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, the balance outstanding was \$1,324,117.

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, 2016, the date of the latest actuarial valuation:

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

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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
6/30/2015	\$ 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.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 fiscal year ended June 30, 2016:

Annual required contribution	\$ 3,271,983
Interest on net OPEB contribution	863,059
Adjustment to annual ARC	(1,279,689)
Annual OPEB cost (expense)	<u>2,855,353</u>
Contributions made	<u>(1,284,666)</u>
Increase in net OPEB obligation	1,570,687
Net OPEB obligation - July 1, 2015	17,261,173
Net OPEB obligation - June 30, 2016	<u>\$ 18,831,860</u>

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 – PENSION PLANS

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

General Information about the Pension Plan

Plan Description

The schools cost-sharing multiple-employer defined benefit pension plan (the Plan) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute.

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 credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016 are established by statute.

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. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. 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 Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 6.974 percent of annual pay, and the employer’s contribution rate is 11.442 percent of annual payroll. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – PENSION PLANS, continued

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

Actuarial assumptions

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table*	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection allowance floor on Purchasing Power applies, 2.75% thereafter

*The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 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.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – PENSION PLANS, continued

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

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	New Strategic Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	99.00%	2.43%
Inflation Sensitive	6.00%	45.00%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

*An expected inflation of 2.5% used for this period

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

NOTE 9 – PENSION PLANS, continued

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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.

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 7.50 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:

	Discount Rates		
	-1% (6.5%)	(7.5%)	1% (8.5%)
Plan's net pension liability	\$ 19,297,404.52	\$ 11,978,041	\$ 4,067,616.99

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/docs/forms-publications/cafr-2015.pdf>.

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

General Information about the Pension Plan

Plan Description

CalSTRS provides pension benefits to California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established these plans and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – PENSION PLANS, continued

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

Benefits Provided - The State Teachers’ Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan 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 Plans’ provisions and benefits in effect at June 30, 2016 are established by statute.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

Under California law, the DB Program receives contributions from members and employers set as a percentage of members’ earnings, in addition to contributions from the state’s General Fund and other sources. CalSTRS investment earnings finance the cost of administering the plan and offset the amount of contributions required to fund benefits. Unlike most other pension plans in California, the board does not have broad authority to raise contribution rates. Because contribution rates are set in statute, the authority to adjust them rests with the Legislature and the Governor.

Plan Contributions

		FY 2014-15 Rate	Ultimate Rate	Equivalent Rate*
EC § 22901 & § 22901.7	Members	8.150%/8.150%	10.250%/9.205%	9.654%
EC § 22950 & § 22951	Employers	8.250%	8.250%	8.250%
EC § 22950.5(a)	Employers-Supplemental**	0.630%	10.850%	8.662%
EC § 22950(c)	Employers for THBF***	0.000%	as needed	0.000%
EC § 22955.1 (a)	State****	2.017%	2.017%	1.868%
EC § 22955.1 (b)	State - Supplemental	1.437%	4.311%	3.794%
				32.228%

*Equivalent level contribution rate payable through June 30, 2046.

**Graded increases per schedule defined in the Education Code. The ultimate contribution will vary depending on the funded status. For purposes of this exhibit, it is assumed the ultimate rate specified in the graded schedule will not change in the future.

***The Teachers' Health Benefit Fund is financed by a redirection of employer contributions. The Teachers' Retirement Board has set aside DB Program assets to finance these future costs. This is reflected in the valuation by adding the unfunded obligation for future THBF benefits to the Actuarial Obligation of the DB Program.

****The State's contribution of 2.017% is paid quarterly based on second prior fiscal year salaries.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – PENSION PLANS, 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, 2016, 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 totaled \$15,380,659.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s proportionate share of total CalSTRS calculated employer contributions, including the State. At June 30, 2015, the District’s proportion was 0.022%.

For the year ended June 30, 2016, the District recognized pension expense of \$546,192 and revenue of the same amount for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 1,253,773
Differences between expected and actual experience	-	257,014
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,171,930
District contributions subsequent to the measurement date	2,031,915	-
	<u>\$ 2,031,915</u>	<u>\$ 2,682,717</u>

NOTE 9 – PENSION PLANS, continued

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

The \$2,031,915 reported as 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 year ended June 30, 2016. The \$2,682,717 reported as deferred inflows of resources related to pensions will be amortized over the next four years as a pension expense.

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, 2013, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Discount rate	7.60%
Investment rate of return	7.60 %, net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.50 % assumed investment rate of return for funding purposes, which is net of administrative expenses.
Consumer price inflation	3.00%
Wage growth	3.75%
Post-retirement benefit increases	2.00% simple for DB Not applicable for DBS/CBB

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 (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – PENSION PLANS, continued

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

Actuarial Assumptions, continued

Asset Class	Actual Allocation as of June 30, 2014	Time-Weighted Performance Returns			
		1 Yr	3 Yr	5 Yr	10 Yr
Global Equity	57.30%	24.73%	13.00%	16.80%	8.30%
Fixed Income	15.50%	5.80%	4.60%	6.30%	5.50%
Real Estate	11.70%	14.50%	12.60%	8.00%	7.40%
Private Equity	11.50%	19.60%	13.00%	16.60%	13.80%
Cash/Liquidity	2.50%	0.60%	2.40%	5.60%	2.00%
Inflation Sensitive	0.70%	10.50%	5.80%	-	-
Absolute Return	0.80%	0.10%	0.30%	-	-
Total	100.00%	18.70%	11.20%	13.70%	7.70%

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:

	Discount Rates		
	-1% (6.6%)	(7.6%)	1% (8.6%)
Plan’s net pension liability	\$ 23,586,179.97	\$ 15,380,659	\$ 8,081,984.99

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 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (CalSTRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the California State Teachers' Retirement Plan (CalSTRS), a cost-sharing, multiple-employer contributory public employee retirement system. The state Teachers' Retirement Law (Part 13 of the California Education Code, Section 22000 et seq.) established benefit provisions for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS Executive Office, 7667 Folsom Boulevard; Sacramento, California 95851.

The CalSTRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the CalSTRS the employee is in, post-retirement cost-of-living adjustment may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest for three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percentage factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California State Teachers' Retirement System (CalSTRS), continued

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015-2016 was 8.88 percent of annual payroll. The contribution requirements of the plan members are established by state statute. The CB Benefit Program is an alternative CalSTRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contributions to CalSTRS for the fiscal years ended June 30, 2016, 2015, and 2013, were \$956,695, \$819,667, \$793,465, respectively, and equal 100 percent of the required contributions for each year.

California Public Employees' Retirement System (CalPERS)

Plan Description

All full-time classified employees participate in the CalPERS System, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Napa Valley Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, member's accumulated contributions are refundable with interest credited through the date of separation.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees' Retirement System (CalPERS), continued

Plan Description, Continued

The California Public Employees' Retirement Law (Part 3 of the California Government Code, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute 5.187% of the employees 7% (PERS Pickup). The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2015-2016 was 11.771 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2016, 2015, and 2013, were \$1,602,190, \$1,576,691, \$1,623,012, respectively, and equal 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS of behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$1,755,055. A contribution from the state to CalPERS was not required for the fiscal year ended June 30, 2016. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

Accumulation Program for Part-Time and Limited-Service Employees

The District has also adopted the Accumulation Program for Part-Time and Limited-Service Employees (APPLE). The Plan is covered under *Internal Revenue Code*, Section 401A. Plan participants include all individuals who have worked for the District on or after January 1, 1992, provided that they are not covered by any other retirement program (e.g., CalPERS or CalSTRS) through District employment. Participant account balances are fully vested and cannot be forfeited. Participant account balances will be paid in a single distribution upon retirement or other termination.

Funding Policy

Each participant makes tax deferred contributions to APPLE equal to 3.75% of total compensation, and the District then matches that amount. Accounts are established in the name of each participant. Employee contributions are allocated directly to employee accounts. The minimum allocation participants will receive is 7.50% of compensation.

Annual Pension Cost

The District's contributions to APPLE for the fiscal years ended June 30, 2016, 2015 and 2013, were \$57,040, \$46,301, and \$46,830, respectively, and equaled 100% of the required contributions for each year.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District as of June 30, 2016.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

NOTE 11 – 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, 2016.

NOTE 12 – 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, 2016, 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 13 – RESTATEMENT

The beginning net position was decreased by \$1,094,836. This adjustment was made to properly reflect the state apportionment the district would receive during the 2015-16 fiscal year. Upon detailed inspection, the District noted an overstatement of the anticipated receivable, wherein apportionment funding information was duplicated. The District adjusted the beginning net position to account for actual funding expected to be provided by the State.

NOTE 14 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2016 through November 1, 2016, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF FUNDING PROGRESS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL 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 FISCAL YEAR ENDED JUNE 30, 2016**

CalSTRS	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.023%	0.022%
District's proportionate share of the net pension liability	\$ 15,380,659	\$ 12,049,454
States's proportionate share of the net pension liability associated with the District	8,134,652	8,799,612
Total	<u>\$ 23,515,311</u>	<u>\$ 20,849,066</u>
District's covered-employee payroll	\$ 8,775,536	\$ 6,114,322
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.3%	197.1%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%
 CalPERS	 <u>June 30, 2016</u>	 <u>June 30, 2015</u>
District's proportion of the net pension liability	0.096%	0.097%
District's proportionate share of the net pension liability	\$ 14,076,924	\$ 11,978,041
District's covered-employee payroll	\$ 10,502,371	\$ 9,807,676
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.0%	122.1%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CalSTRS	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,031,915	\$ 917,434
Contributions in relation to the contractually required contribution*	(2,031,915)	(917,434)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,775,536	\$ 6,114,322
Contributions as a percentage of covered-employee payroll	23.15%	15.00%

*Amounts do not include on behalf contributions

CalPERS	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,447,948	\$ 1,223,103
Contributions in relation to the contractually required contribution	(1,447,948)	(1,223,103)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,502,371	\$ 9,807,676
Contributions as a percentage of covered-employee payroll	13.79%	12.47%

**SUPPLEMENTARY
INFORMATION**

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
 LOCAL EDUCATIONAL AGENCY ORGANIZATIONAL STRUCTURE
 JUNE 30, 2016**

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. Michael Baldini	Board Chair	2018
Mr. Rafael Rios	Vice President	2016
Ms. JoAnn Busenbark	Trustee	2016
Mr. Dan Digardi	Trustee	2016
Mr. Kyle Iverson	Trustee	2018
Ms. Mary Ann Mancuso	Trustee	2018
Ms. Amy Martenson	Trustee	2018
Ms. Kelsey Hadfield	Student Trustee	2017

DISTRICT ADMINISTRATORS

Dr. Ronald Kraft
Superintendent/President

Mr. Robert Parker
Vice President - Administrative Services

Ms. Glenna Aguada
Controller

Dr. Terry Giugni
Vice President - Instruction

Mr. Oscar De Haro
Vice President - Student Services

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Department of Education		
STUDENT FINANCIAL AID CLUSTER		
Passed through/direct award		
Federal Work Study	84.033	\$ 135,550
Talent Search	84.044	285,441
Student Support Services	84.042	290,314
Title V - HSI Stem	84.031	941,387
Career and Technical Education Act		
CTE Transitions - Perkins IV	84.048	44,025
VTEA Title II C - Block Grant	84.049	156,048
U.S. DEPARTMENT OF REHABILITATION		
Passed through/direct award		
Vocational Rehabilitation	84.126	314,567
U.S. DEPARTMENT OF TRANSPORTATION		
FEDERAL HIGHWAY ADMINISTRATION		
Passed through/direct award		
Highway Training and Education	20.215	35,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Temporary Assistance for Needy Families	93.558	21,278
Foster Parent Training	93.658	37,597
CDC Training Consortium	93.575	14,374
U.S. DEPARTMENT OF COMMERCE		
Small Business Development Center	59.037	207,569
		<hr/>
Total Federal Programs		\$ 2,483,150

See accompanying note to the supplementary information.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Program Title	PROGRAM ENTITLEMENT			Cash Received	PROGRAM REVENUES			Program Expenditures
	Current Year Auth. Amt.	Prior Year Carry-Over	Total Entitlement		Accounts Receivable	Deferred Revenue	Total Revenue	
Apprenticeship Trn & Instruction	\$ 113,052	\$ -	\$ 113,052	\$ 113,052	\$ -	\$ -	\$ 113,052	\$ 113,052
Basic Skills PY	48,111	-	48,111	48,111	-	10,096	38,015	38,014
Basic Skills Current	90,000	-	90,000	90,000	-	90,000	-	-
EOPS - State	469,069	-	469,069	469,069	-	-	469,069	469,069
EOPS - Federal Grant	44,827	-	44,827	44,827	-	-	44,827	44,827
DSPS	978,306	-	978,306	978,306	-	-	978,306	978,306
Instructional Equipment - FY 2013/14	109,709	-	109,709	109,709	-	70,625	39,084	39,084
CARE - State	29,619	-	29,619	29,619	-	-	29,619	29,619
CARE - Federal Grant	19,485	-	19,485	19,485	-	-	19,485	19,485
Financial Aid - BFAP	236,715	-	236,715	236,715	-	-	236,715	236,715
YEP - Rancho Santiago	-	12,230	12,230	12,230	-	12,230	-	-
EWD - Business Entrepreneur Center	-	140,298	140,298	140,298	-	-	140,298	140,298
Youth Entrepreneurial Program	-	111,364	111,364	111,364	-	-	111,364	111,364
DSN - Small Business #2	100,000	-	100,000	40,000	-	36,318	3,682	3,682
DSN - Small Business #1	200,000	-	200,000	80,000	19,755	-	99,755	99,755
TANF State	21,278	-	21,278	21,278	-	-	21,278	21,278
Matriculation - Credit	336,621	-	336,621	336,621	-	78,033	258,588	258,588
Matriculation - Non-Credit	33,806	-	33,806	33,806	-	5,892	27,914	27,914
CalWORKS Program	107,794	-	107,794	107,794	-	-	107,794	107,794
CalWORKS Program	57,993	-	57,993	57,993	-	-	57,993	57,993
CalWORKS Program	6,982	-	6,982	6,982	-	-	6,982	6,982
Faculty Staff Diversity (EEO) PY	-	14,547	14,547	14,547	-	13,201	1,346	1,346
Faculty Staff Diversity (EEO)	4,748	-	4,748	4,748	-	4,748	-	-
PT Faculty Compensation	127,607	30,986	158,593	158,593	-	-	158,593	158,593
MESA (PY)	-	4,499	4,499	4,499	-	-	4,499	4,499
MESA	50,500	-	50,500	30,300	18,870	-	49,170	49,170
CTE Green IV	-	228,571	228,571	228,571	-	-	228,571	228,571
CTE Green V	-	383,976	383,976	287,220	-	142,523	144,697	144,697
Foster Parent Training (State)	46,302	-	46,302	36,885	9,964	-	46,849	46,302
Child Care - Preschool	270,197	-	270,197	270,197	-	-	270,197	270,197
Child Care - Gen.	338,656	-	338,656	338,656	-	-	338,656	338,656
Transfer & Articulation PY	-	1,331	1,331	1,331	-	1,148	183	183
City of Sonoma	25,000	-	25,000	1,923	-	228	1,695	1,694
Responsive Training Grant	-	88,695	88,695	43,235	45,460	-	88,695	88,695
POST - EVOG Training	150,000	3,020	153,020	-	5,000	5,000	-	-
P.O.S.T. Training Contract	1,003,787	-	1,003,787	82,906	649,729	-	732,635	732,635
FEP - Rancho Santiago	-	1,979	1,979	1,979	-	-	1,979	1,979
Lottery Funds	165,935	-	165,935	165,935	-	-	165,935	165,935
Total State Programs	\$ 5,186,099	\$ 1,021,496	\$ 6,207,595	\$ 4,758,784	\$ 748,778	\$ 470,042	\$ 5,037,520	\$ 5,036,971

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 FISCAL YEAR ENDED JUNE 30, 2016**

CATEGORIES	Reported Data	Audit Adjustments**	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit*	100.77	-	100.77
2. Credit	171.70	-	171.70
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit*	-	-	-
2. Credit	368.94	-	368.94
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,994.55	-	2,994.55
(b) Daily Census Contact Hours	203.66	-	203.66
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	452.73	-	452.73
(b) Credit	577.19	-	577.19
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	630.50	-	630.50
(b) Daily Census Contact Hours	90.20	-	90.20
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	5,590.24	-	5,590.24
Supplemental Information (subset of above information)			
E. In-service Training Courses			
	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	68.34	-	68.34
2. Noncredit	-	-	-
Total Basic Skills FTES	68.34	-	68.34
CCFS 320 Addendum			
CDCP Noncredit FTES	13.89	-	13.89
Centers FTES			
1. Credit	85.44	-	85.44
2. Noncredit*	554.76	-	554.76
Total Centers FTES	640.20	-	640.20

*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 FISCAL YEAR ENDED JUNE 30, 2016**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2016.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	6,713,566	-	6,713,566	6,713,566	-	6,713,566
Other	1300	4,461,710	-	4,461,710	4,461,710	-	4,461,710
Total Instructional Salaries		11,175,276	-	11,175,276	11,175,276	-	11,175,276
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	2,725,385	-	2,725,385
Other	1400	-	-	-	186,168	-	186,168
Total Non-Instructional Salaries		-	-	-	2,911,553	-	2,911,553
Total Academic Salaries		11,175,276	-	11,175,276	14,086,829	-	14,086,829
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	5,051,950	-	5,051,950
Other	2300	-	-	-	518,101	-	518,101
Total Non-Instructional Salaries		-	-	-	5,570,051	-	5,570,051
Instructional Aides							
Regular Status	2200	599,876	-	599,876	599,876	-	599,876
Other	2400	213,502	-	213,502	213,502	-	213,502
Total Instructional Aides		813,378	-	813,378	813,378	-	813,378
Total Classified Salaries		813,378	-	813,378	6,383,429	-	6,383,429
Employee Benefits	3000	3,135,578	-	3,135,578	6,050,482	-	6,050,482
Supplies and Materials	4000	-	-	-	820,217	-	820,217
Other Operating Expenses	5000	639,613	-	639,613	4,053,605	-	4,053,605
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		15,763,845	-	15,763,845	31,394,562	-	31,394,562
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Invcntives	5900	-	-	-	-	-	-
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	108,931	-	108,931
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	6,482	-	6,482	6,482	-	6,482
Classified Salaries	2000	6,266	-	6,266	6,266	-	6,266
Employee Benefits	3000	2,433	-	2,433	2,433	-	2,433
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	1,433	-	1,433
Non-instructional Supplies & Materials	4400	-	-	-	13,258	-	13,258
Total Supplies and Materials		-	-	-	14,691	-	14,691
Other Operating Expenses and Services	5000	-	-	-	767,414	-	767,414
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400						
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	1,524	-	1,524
Total Exclusions		\$ 15,181	\$ -	\$ 15,181	\$ 907,741	\$ -	\$ 907,741
Total for ECS 84362, 50% Law		\$ 15,748,664	\$ -	\$ 15,748,664	\$ 30,486,821	\$ -	\$ 30,486,821
Percent of CEE (Instructional Salary Cost/Total CEE)		51.66%	0.00%	51.66%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 15,243,411	\$ -	\$ 15,243,411

See accompanying note to the supplementary information.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EPA Revenue	2,918,185
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Total	0100-5900	2,918,185	-	-	2,918,185

See accompanying note to the supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. Local Educational Agency Organizational Structure – Page 59

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 – Page 60

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

C. Schedule of Revenues and Expenditures of State Awards – Page 61

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 – Page 62

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 – Page 63

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 – Page 64

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 – Page 65

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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, 2016, 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 November 1, 2016.

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.

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

November 1, 2016



**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

Compliance

We have audited Napa Valley Community College District's compliance with the types of compliance requirements described in the *Uniform Guidance* 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, 2016. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Napa Valley 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.

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, 2016.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Napa Valley 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 of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 *WDL, Certified Public Accountants*

San Diego, California
November 1, 2016



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) 2015-15*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

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) 2015-15*, 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.

Opinion on State Compliance

As described in finding #2016-1 in the accompanying schedule of findings and questioned costs, Napa Valley Community College District did not comply with all requirements. Compliance with such requirements is necessary, in our opinion, for Napa Valley Community College District to comply with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

Napa Valley Community College District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Napa Valley Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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 - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 430 – Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intersession Extension Program
- Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- 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 30 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) 2015-15*. Accordingly, this report is not suitable for any other purpose.

 *WDL, Certified Public Accountants*

San Diego, California
November 1, 2016

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	<u>No</u>

Identification of major programs:		
<u>CFDA Numbers</u>		<u>Name of Federal Program of Cluster</u>
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:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 2015-16.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (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 2015-16.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 and performed testing on all 352 special admit students for 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.

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section IV – State Award Findings and Questioned Costs

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

FINDING #2015-1 – 424 State General Apportionment Funding

Criteria: For daily census procedure courses the District is required to base the computation of attendance for full-time equivalent students (FTES) on the “class hour” (also referred to as contact hours). A “class hour” is a period of not less than 50 minutes of scheduled instruction and/or examination. Multiple hour classes may count each fractional part of a class hour beyond the last full hour for apportionment, starting from and including the 51st minute of the last full clock hour.

- *CCR, Title 5, Section 58003.1*
- *Student Attendance Accounting Manual (SAAM), California Community Colleges Chancellors Office*

Condition: It was noted in our testing of a statistically relevant sample of 75 daily courses that 5 courses used the incorrect contact hour in the calculation of FTES. In 5 of 75 courses sampled the impact to FTES was an overstatement of 0.77 FTES. Based on a total of 146.34 FTES sampled out of 417.98 total daily FTES claimed by the District during the 2014-15 fiscal year, an extrapolation of the overstatement results in an overstatement of 2.20 FTES. As a result of the error noted in our testing the District examined all daily courses and identified all courses with an exception. The net result as calculated by the District was an understatement of 3.30 FTES.

Questioned Costs: \$15,587.85 to be reimbursed to the District (3.30 FTES x \$4,723.59) as determined by the District’s independent analysis of all daily courses. \$10,391.90 to be reimbursed to the State (2.20 FTES x \$4,723.59) as determined by an extrapolation of the results of the audit sample of 75 courses. The District has corrected the misstatements identified by the audit on its Recal submission as of November 2, 2015.

Context: 5 of 75 daily courses tested.

Effect: Noncompliance with CCR, Title 5, Section 58003.1.

Recommendation: We recommend that the District perform regular internal audit of attendance prior to the submission of P1, P2, and Annual to ensure the correct contact hours are used.

District Response: The District concurs with this recommendation and has implemented the following procedures to ensure all future reporting of FTES is accurate:

- A primary audit of contact hours to be performed by Dean of Instruction, with a secondary audit performed by the Associate Dean of Admissions and Records according to the following schedule:
 - The “first period” audit will occur in November (prior to January 15th due date)
 - The “second period” audit will occur in March (prior to April 20th due date)
 - The “annual period” audit will occur in June (prior to the July 15th due date)
- Updated fields within the District attendance software system to clarify calendar hours and catalog hours
- All process changes will be documented to ensure continuity
-

Current Status: Implemented

**NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING #2015-2 – 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 2013-14 we noted that the certification and filing did not occur by October 10, 2015.

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 October 13, 2015.

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 2013-14 was completed and filed with the State Chancellor's Office. It is expected that all subsequent reports will be completed in a timely fashion.

Current Status: Implemented