NAPA VALLEY
COMMUNITY COLLEGE DISTRICT

COUNTY OF NAPA

AUDIT REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2014, and the related notes to the financial statements, which collectively comprise the Napa Valley Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Napa Valley Community College District, as of June 30, 2014, 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 on page 45 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 U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014 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.

San Diego, California
October 20, 2014

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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, 2014. 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 $2.0 million at June 30, 2014. This was a decrease of $0.9 million or 31.0 percent over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statement of Net Position presents the assets, liabilities, and net position of the District as of the end of the fiscal year ended June 30, 2014 and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private sector organizations. The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District, or one way to measure the financial health of the District.

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

The Statements of Net Position as of June 30, 2014 and 2013 are summarized below:

	2014	2013	Net Change
ASSETS			
Current assets	$ 22,480,918	$ 21,448,674	$ 1,032,244
Non-current assets	143,362,821	146,533,894	(3,171,073)
Total Assets	165,843,739	167,982,568	(2,138,829)
DEFERRED OUTFLOWS OF RESOURCES			
Deferred cost on issuance	1,282,446	1,528,117	(245,671)
Total Assets and Deferred Cost on Issuance	167,126,185	169,510,685	(2,384,500)
LIABILITIES			
Current liabilities	13,699,761	12,728,790	970,971
Non-current liabilities	151,469,198	153,945,880	(2,476,682)
Total Liabilities	165,168,959	166,674,670	(1,505,711)
NET POSITION			
Net investment in capital assets	2,818,867	7,351,161	(4,532,294)
Restricted	8,477,644	7,676,264	801,380
Unrestricted	(9,339,285)	(12,191,410)	2,852,125
Total Net Position	$ 1,957,226	$ 2,836,015	$ (878,789)

The District's total assets and deferred cost on issuance decreased $2.4 million or 1.4 percent from the previous year. The majority of the decrease was based on capital asset depreciation, as detailed in the capital assets section of this report.

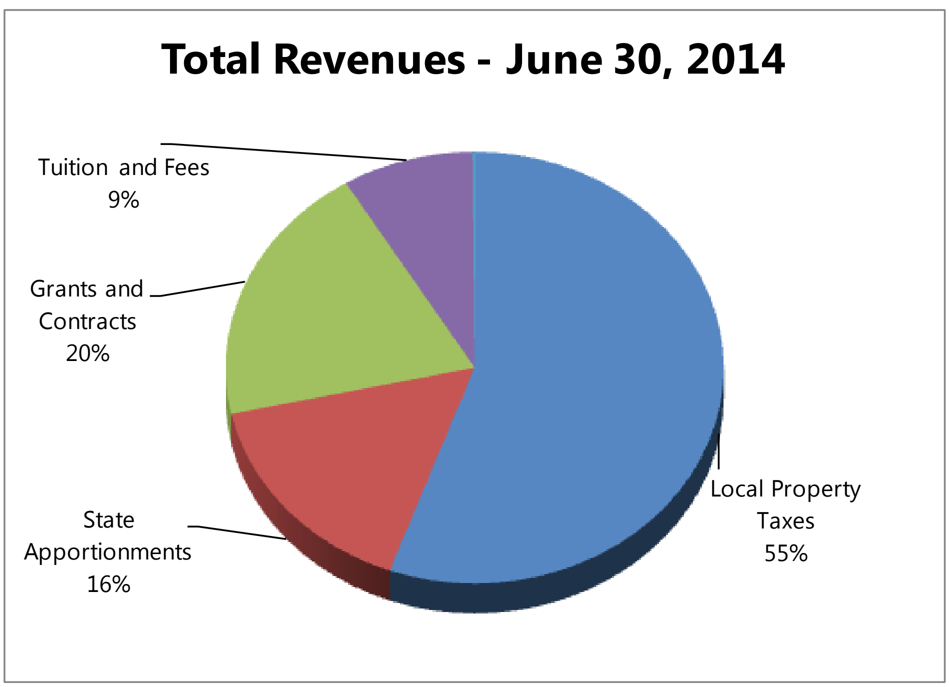
Total liabilities decreased $1.5 million or 0.9 percent. This is related mainly to the annual payments and refunding activity of the general obligation bonds, offset by the increase in other post-employment benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2014 and 2013 are summarized below:

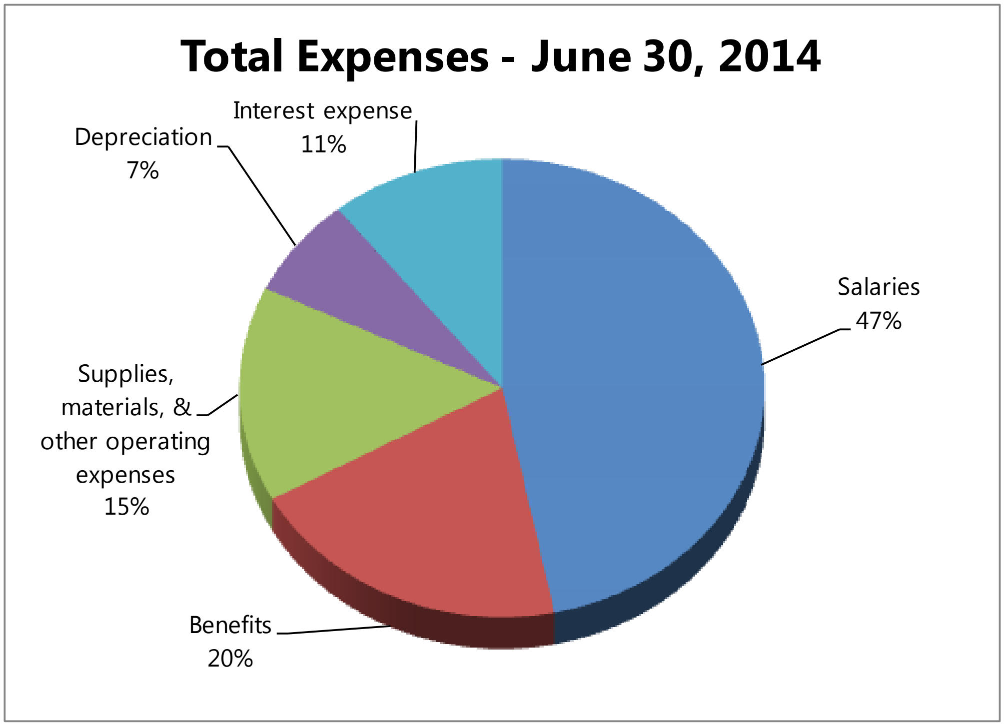
	2014	2013	Net Change
REVENUES			
Tuition and fees (net)	$ 4,350,288	$ 3,727,796	$ 622,492
Grants and contracts, noncapital	10,074,969	8,573,705	1,501,264
Auxiliary enterprises sales	-	1,451,148	(1,451,148)
General revenues - property taxes	28,270,865	26,272,534	1,998,331
General revenues - state aid	8,156,188	9,445,900	(1,289,712)
General revenues - other	53,464	176,703	(123,239)
Total Revenues	50,905,774	49,647,786	1,257,988
EXPENSES			
Operating expenses	46,217,546	43,671,360	2,546,186
Interest	5,567,017	7,130,961	(1,563,944)
Total Expenses	51,784,563	50,802,321	982,242
Change in Net Position	$ (878,789)	$ (1,154,535)	$ 275,746

Operating and nonoperating revenues are comparatively reflected below:



OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Operating and nonoperating expenses are comparatively reflected below:



OVERVIEW OF THE FINANCIAL STATEMENTS, continued

District Fiduciary Responsibility

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

Capital Assets

As of June 30, 2014, the District had approximately $181.0 million invested in capital assets. Capital assets consist of land and land improvements, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other equipment that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of $38.6 million, leaving a net capital asset amount of $143.4 million.

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

CAPITAL ASSETS	2014	2013	Net Change
Land and construction in progress	$ 977,897	$ 977,897	$ -
Buildings and equipment	181,021,558	180,538,744	482,814
Accumulated depreciation	(38,636,634)	(34,982,748)	(3,653,886)
Total Capital Assets	$ 143,362,821	$ 146,533,893	$ (3,171,072)

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The California Budget 2014-15, signed into law on June 30, 2014, is the largest general fund spending plan in California history. While subcommittees of both houses had previously voted to augment the California Community Colleges funding by $246 million by assuming the higher budget year revenue that has been estimated by the Legislative Analyst's Office, the Governor held fast to the level of spending he proposed in the May Revision. Ultimately, Governor Brown won out on expenditures for the second consecutive year. One significant deviation made to the Governor's K14 expenditure plan is that deferrals will not be completely eliminated as of the 2014-15 fiscal year. Some of this revenue was diverted within the minimum guarantee to fund other legislative priorities such as early childhood education, another round of funding for the Career Pathways Trust competitive grant program, and funding for prior mandate claims.

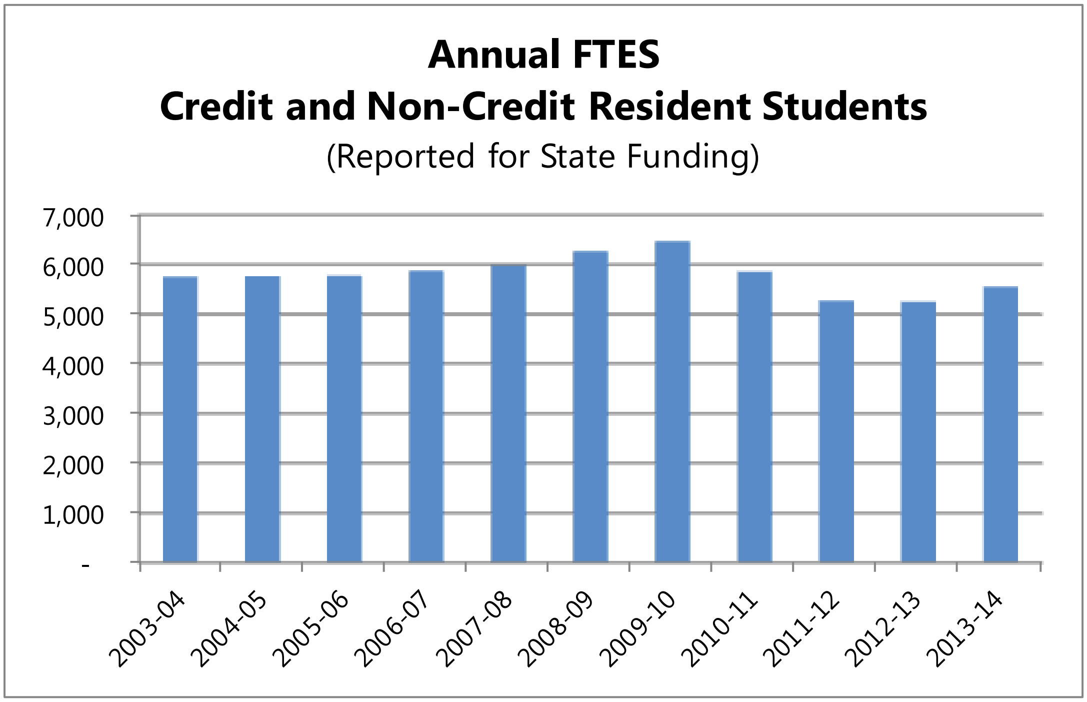
The 2014-15 budget approved by the legislature continues the state's reinvestment in public education, with greater funding augmentations for the Community Colleges system. Specifically, the 2014-15 budget provides new funding for access, a cost of living adjustment (COLA), student success and equity, Career and Technical Education (CTE), and other system priorities. Major components of the 2014-15 statewide budget include:

- COLA - $47.3 million to fund the statutory COLA of 0.85 percent
- $148 million for deferred maintenance and instructional equipment
- An additional $100 million for the Student Success and Support Program, which is fundamental to implementing the recommendations of the Student Success Task Force
- An additional $250 million for the Career Pathways Trust established in 2013-14
- $37.5 million for Proposition 39 energy efficiency projects and workforce development
- $497.8 million to pay down system deferrals (over multiple years). Currently, the Community College system's inter-year deferrals are approximately $592.4 million, the 2014-15 budget allocates $497.8 million using a combination of prior year, current year, and budget year funds to reduce outstanding system deferrals to $94.6 million

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. While we understand the need to address the CalSTRS shortfall, the rate increases will significantly impact district budgets. Further, while the 2013 and 2014 Budget Acts fund the statutory COLAs for those years, no progress has been made toward restoring the lost purchasing power from earlier years.

HISTORICAL FULL TIME EQUIVALENT STUDENTS (FTES) TRENDS

In the 2014 fiscal year, the District reported 5,548 credit and non-credit resident FTES. See the below chart for a historical perspective on the changes in FTES over the past 11 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 Vice President - Administrative Services 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, 2014

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	15,396,500
Accounts receivable		5,374,365
Prepaid expenses		556,824
Due from fiduciary funds		1,153,229
Total Current Assets		22,480,918
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation		143,362,821
Total Noncurrent Assets		143,362,821
TOTAL ASSETS		165,843,739
DEFERRED OUTFLOWS OF RESOURCES		
Deferred cost on issuance		1,282,446
Total Deferred Outflows of Resources		1,282,446
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		167,126,185
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		2,425,866
Due to fiduciary funds		251,303
Deferred revenue		2,244,555
Accrued interest payable		1,651,764
Current Portion - Long-term debt		7,126,273
Total Current Liabilities		13,699,761
NONCURRENT LIABILITIES		
Noncurrent portion - Long-term debt		151,469,198
TOTAL LIABILITIES		165,168,959
NET POSITION		
Net investment in capital assets		2,818,867
Restricted for:		
Debt service		7,483,502
Capital projects		994,142
Unrestricted		(9,339,285)
TOTAL NET POSITION	$	1,957,226

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, 2014

OPERATING REVENUES	
Student Tuition and Fees	$ 7,882,952
Less: Scholarship discount & allowance	(3,532,664)
Net tuition & fees	4,350,288
Grants and Contracts, noncapital:	
Federal	2,551,366
State	6,103,819
Local	1,419,784
Subtotal	10,074,969
TOTAL OPERATING REVENUES	14,425,257
OPERATING EXPENSES	
Salaries	24,239,541
Benefits	10,429,312
Supplies, materials, & other operating expenses	7,872,279
Depreciation	3,676,414
TOTAL OPERATING EXPENSES	46,217,546
OPERATING LOSS	(31,792,289)
NONOPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	3,391,202
Local property taxes	27,916,972
State taxes & other revenues	4,764,986
Investment income - Non-capital	53,464
Interest expense	(5,567,017)
TOTAL NONOPERATING REVENUES	30,559,607
LOSS BEFORE OTHER REVENUES AND GAINS	(1,232,682)
OTHER REVENUES AND GAINS/(LOSSES)	
Local property taxes and revenues, capital	353,893
TOTAL OTHER REVENUES AND GAINS	353,893
CHANGE IN NET POSITION	(878,789)
NET POSITION, BEGINNING OF YEAR	2,836,015
NET POSITION, END OF YEAR	$ 1,957,226

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 3,828,823
Grants and contracts	10,552,041
Payments to or on behalf of employees	(34,198,853)
Payments to vendors for supplies and services	(7,211,206)
Net Cash Used by Operating Activities	(27,029,195)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	1,556,723
Property taxes	27,930,976
State taxes and other revenues	4,550,825
Net Cash Provided by Non-capital Financing Activities	34,038,524
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(509,093)
Local property tax, capital projects	353,893
Principal paid on capital debt	(5,700,000)
Interest paid on capital debt	(2,037,500)
Net Cash Used by Capital Financing Activities	(7,892,700)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	60,405
Net Cash Provided/(Used) by Investing Activities	60,405
NET DECREASE IN CASH & CASH EQUIVALENTS	(822,966)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	16,219,466
CASH & CASH EQUIVALENTS, END OF YEAR	$ 15,396,500

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (31,792,289)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	3,676,414
Changes in Assets and Liabilities:	
Receivables, net	930,879
Prepaid items	(52,040)
Accounts payable and accrued liabilities	(266,564)
Deferred revenue	229,099
Compensated absences	245,306
Total Adjustments	4,763,094
Net Cash Flows From Operating Activities	$ (27,029,195)

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2014

	Agency			
	Associated Students Napa Valley College	Student Representation Fee	Student Financial Aid	District Trust
ASSETS				
Cash and cash equivalents	$ 107,524	$ 28,459	$ 180,928	$ 1,429,322
Investments	-	-	-	1,850,693
Accounts receivable	187	-	254,796	30,564
Due from governmental funds	16,176	2,375	344	232,533
Total Assets	123,887	30,834	436,068	3,543,112
LIABILITIES				
Accounts payable	134	-	5,413	1,861,729
Deferred revenue	13,800	5,297	-	11,889
Due to governmental funds	330	-	430,655	1,143,736
Due to student groups	109,623	25,537	-	-
Total Liabilities	123,887	30,834	436,068	3,017,354
NET POSITION				
Reserved	-	-	-	525,758
Total Net Position	$ -	$ -	$ -	$ 525,758

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, 2014

	District Trust
Additions	
Operating revenues	$ -
Total Additions	-
Deductions	
Other operating expenses	54,042
Total Deductions	54,042
CHANGE IN NET POSITION	(54,042)
NET POSITION, BEGINNING OF YEAR	579,800
NET POSITION, END OF YEAR	$ 525,758

See accompanying notes to the financial statements.

NOTE 1 – ORGANIZATION

The Napa Valley Community College District (the District) was founded in 1942 as a political subdivision of the State of California. It provides higher education in the greater Napa area, which consists of portions of four counties. The District consists of one main campus in Napa with one educational center in St. Helena. The District also offers classes and programs at various other locations throughout the District. The District serves approximately 10,000 full and part-time, credit and non-credit students per semester. Full-Time Equivalent Students (FTES) for 2013-2014 were 5,548.

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 may be obtained from the District. The VWT and District Auxiliary Services Foundations do not issue separate audited financial statements at this time.

NOTE 1 – ORGANIZATION, continued

Financial Reporting Entity, continued

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

Accountability: The VWT Foundation and the District Auxiliary Services Foundation operate under a master agreement with the District in accordance with the California Education Code requirements. The District is able to impose its will upon the VWT Foundation and the District Auxiliary Services Foundation.

Discrete Presentation: For financial presentation purposes, the financial activities of the VWT Foundation and the Auxiliary Services Foundation have been discretely presented with the financial activities of the District.

Joint Powers Agencies and Public Entity Risk Pools

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

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

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

Cash and Cash Equivalents

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

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

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable. The allowance was $785,464 at June 30, 2014.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

Inventory

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

Deferred Charges

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

Capital Assets and Depreciation

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets and Depreciation, continued

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

Accrued Liabilities and Long-Term Obligations

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

Deferred Insurance Costs, Premiums, and Discounts

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

Compensated Absences

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

Deferred Revenue

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $8,477,644 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 $423,942.

Estimates

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

Property Taxes

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes, continued

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

Scholarship Discounts and Allowance

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

Interfund Activity

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

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District has implemented the provisions of this Statement for the year ended June 30, 2014.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

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. 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.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures, as well as note disclosure and required supplementary information requirements.

This Statement is effective for fiscal years beginning after June 15, 2014, and will be implemented by the District in the 2014-15 fiscal year.

NOTE 3 – CASH AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

NOTE 3 – CASH AND INVESTMENTS, continued

General Authorizations

Primary Institution – Credit Risk

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

Component Units – Credit Risk

The Component Units' investment policies allow for investment in equity securities and fixed income instruments. Any corporate obligations must be rated BBB or a better rating by Standard & Poor's or a similar rating agency. The Component Units' investments are rated at least BBB or better by Standard & Poor's as of June 30, 2014.

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

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

NOTE 3 – CASH AND INVESTMENTS, continued

Authorized Under Debt Agreements

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

Summary of Cash and Investments

Cash and investments as of June 30, 2014, consist of the following:

Governmental Funds:		
Cash on hand and in banks	$	228,908
Investment in Napa County Investment Pool		15,167,592
Total cash and investments	$	15,396,500

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 301 day weighted average maturity for the District's deposits of $15,167,592 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, 2014. As of June 30, 2014, the Napa County Treasury was not rated.

NOTE 3 – CASH AND INVESTMENTS, continued

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance was not exposed to custodial credit risk because the balance was below $250,000 and as such, was 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, 2014 accounts receivable totaled $5,374,365. All receivables are considered collectible in full. As of October 20, 2014, $4,323,357 has been received.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
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	120,601,136	216,000	-	120,817,136
Furniture & equipment	17,226,511	289,342	22,528	17,493,325
Total Capital Assets being Depreciated	180,538,744	505,342	22,528	181,021,558
Total Capital Assets	181,516,641	505,342	22,528	181,999,455
Accumulated Depreciation	34,982,748	3,676,414	22,528	38,636,634
Net Capital Assets	$ 146,533,893	$ (3,171,072)	$ -	$ 143,362,821

NOTE 6 – LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations for the 2014 fiscal year consisted of the following:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Long-Term Obligations					
General obligation bonds	$ 137,820,043	$ 46,786,424	$ 50,704,809	$ 133,901,658	$ 6,744,094
Premium on bonds	6,338,784	2,091,695	794,041	7,636,438	-
Compensated absences	1,276,093	757,269	943,450	1,089,912	-
Supplemental employee retirement plan	745,421	-	363,242	382,179	382,179
Other postemployment benefits	13,828,781	1,756,503	-	15,585,284	-
Total Long-Term Obligations	$ 160,009,122	$ 51,391,891	$ 52,805,542	$ 158,595,471	$ 7,126,273

Description of Debt

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

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

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt

The outstanding general obligation bonded debt as of June 30, 2014 is as follows:

Series	Issue Date	Yield	Maturity Date	Bonds Outstanding July 1, 2013	Additions	Redeemed	Bonds Outstanding June 30, 2014	Due Within One Year
2002 Series B	3/17/2005	2.35-5.38%	8/1/2029	$ 28,045,770	$ 1,285,368	$ 1,165,000	$ 28,166,138	$ 1,345,000
2002 Series C	7/18/2007	4.70-5.18%	8/1/2034	57,936,531	-	10,315,665	47,620,866	-
2005 Refunding	3/4/2005	2.47-3.96%	8/1/2018	16,544,144	-	12,584,144	3,960,000	1,895,000
2006 Refunding	11/16/2006	3.30-4.12%	8/1/2020	35,293,598	746,056	26,640,000	9,399,654	2,789,094
2014 Refunding	6/3/2014	0.32-2.71%	8/1/2021	-	44,755,000	-	44,755,000	715,000
				$ 137,820,043	$ 46,786,424	$ 50,704,809	$ 133,901,658	$ 6,744,094

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, 2014, the principal balance outstanding (including accreted interest to date) was $28,166,138.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2015	$ 1,345,000	$ 2,050,425	$ -	$ 3,395,425
2016	1,540,000	1,989,900	-	3,529,900
2017	-	1,928,300	-	1,928,300
2018	-	1,858,500	-	1,858,500
2019	-	1,760,750	-	1,760,750
2020-2024	-	5,258,250	-	5,258,250
2025-2029	15,960,227	-	32,594,773	48,555,000
2030	27,495	-	72,505	100,000
Accretion	9,293,416	-	(9,293,416)	-
	$ 28,166,138	$ 14,846,125	$ 23,373,862	$ 66,386,125

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, 2014, the principal balance outstanding (including accreted interest to date) was $45,235,618.

Fiscal Year	Principal	Accreted Interest	Total
2015	$ -	$ -	$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	14,019,102	20,420,512	34,439,614
2025-2029	3,581,771	5,418,229	9,000,000
2030-2034	18,644,872	44,495,128	63,140,000
2035	3,363,866	10,016,134	13,380,000
Accretion	8,011,255	(8,011,255)	-
	$ 47,620,866	$ 72,338,748	$ 119,959,614

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

2005 General Obligation Bonds, Refunding Bonds

Proceeds from the 2005 General Obligation Refunding Bonds of $21,473,116, issued in March 2005, were used to advance refund the outstanding Election 2002, Series A 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, 2005.

The bonds issued consisted of $13,090,000 of Current Interest bonds and $8,383,116 in Capital Appreciation bonds. The bonds mature beginning on August 1, 2005 through August 1, 2016, with interest yields ranging from 2.47 percent to 3.96 percent. At June 30, 2014, the principal balance outstanding (including accreted interest to date) was $3,960,000.

Fiscal Year	Principal	Interest	Total
2015	$ 1,895,000	$ 516,506	$ 2,411,506
2016	2,065,000	444,563	2,509,563
	$ 3,960,000	$ 961,069	$ 4,921,069

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, 2014, the principal balance outstanding (including accreted interest to date) was $9,399,654.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2015	$ 2,789,094	$ 1,291,875	$ 200,906	$ 4,281,875
2016	1,157,838	1,192,500	2,022,162	4,372,500
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
2020-2021	-	814,500	-	814,500
Accretion	3,824,371	-	(3,824,371)	-
	$ 9,399,654	$ 6,612,875	$ 1,795,346	$ 17,807,875

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

2014 General Obligation Bonds, Refunding Bonds

Proceeds from the 2014 General Obligation Refunding Bonds of $44,755,000, issued in June 2014, 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 for the fiscal year ended June 30, 2014.

The bonds issued consisted of $44,755,000 of Current Interest serial bonds. The bonds mature beginning on August 1, 2014 through August 1, 2021, with interest yield rates ranging from 0.32 percent to 2.71 percent. At June 30, 2014, the principal balance outstanding (including accreted interest to date) was $44,755,000.

Fiscal Year	Principal	Interest	Total
2015	$ 715,000	$ 105,428	$ 820,428
2016	965,000	1,082,107	2,047,107
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
2020-2022	22,640,000	1,735,499	24,375,499
	$ 44,755,000	$ 6,004,968	$ 50,759,968

Supplemental Early Retirement Plan

The District provided a board approved SERP retirement plan in 2010. The future cost to the District as of June 30, 2014, was $382,179. 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. Payments are to be made from the District's General Fund according to the following schedule:

Years Ending June 30,	Pacific Life	PARS	Total
2015	$ 363,242	$ 18,937	$ 382,179

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, 2014, the balance outstanding was $1,089,912.

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, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	226
Active plan members	261
Total	487
Number of participating employers	1

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued

Funded Status and Funding Progress – OPEB Plans

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

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
June 30, 2013	$ 1,042,517	$ 28,493,739	$ 27,451,222	4%

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

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

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued

Funded Status and Funding Progress – OPEB Plans, continued

Additional information as of the latest actuarial valuation follows:

Valuation Date	6/30/2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Basis
Amortization Period	25 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, 2014:

Annual required contribution	$ 3,141,398
Interest on net OPEB contribution	691,439
Adjustment to annual ARC	(981,186)
Annual OPEB cost (expense)	2,851,651
Contributions made	(1,095,148)
Increase in net OPEB obligation	1,756,503
Net OPEB obligation - July 1, 2013	13,828,781
Net OPEB obligation - June 30, 2014	$ 15,585,284

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 – 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 9 – 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 2013-2014 was 8.25 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, 2014, 2013, and 2012, were $819,667, $793,465, and $826,704, 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 9 – 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 2013-2014 was 11.417 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2014, 2013, and 2012, were $1,576,691, $1,623,012, and $1,446,795, 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 $302,134. A contribution from the state to CalPERS was not required for the fiscal year ended June 30, 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 9 – 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, 2014, 2013 and 2012, were $46,301, $46,830, and $45,876, respectively, and equaled 100% of the required contributions for each year.

NOTE 10 – 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, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

NOTE 10 – COMMITMENTS AND CONTINGENCIES, continued

Operating Leases

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

Construction Commitments

The District had no significant construction commitments at June 30, 2014.

NOTE 11 – RELATED PARTY TRANSACTIONS

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

During the year ended June 30, 2014, 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.

REQUIRED SUPPLEMENTARY INFORMATION

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2013	$ 1,042,517	$ 28,493,739	$ 27,451,222	4%	$ 17,231,000	159%
6/30/2011	$ 409,215	$ 30,530,071	$ 30,120,856	1%	$ 18,208,000	165%
7/1/2010	$ -	$ 31,961,907	$ 31,961,907	0%	$ 17,516,000	182%

SUPPLEMENTARY INFORMATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. Michael Baldini	Trustee	2014
Ms. JoAnn Busenbark	Trustee	2016
Mr. Bruce Ketron	Board Chair	2014
Mr. Bill Blair	Trustee	2014
Mr. Dan Digardi	Vice President	2016
Mr. Rafael Rios	Trustee	2016
Ms. April Clary	Student Trustee	2015
Ms. Mary Ann Mancuso	Trustee	2014

DISTRICT ADMINISTRATORS

Dr. Ronald Kraft
Superintendent/President

Ms. Jeanine Hawk
Interim Vice President - Administrative Services

Ms. Glenna Aguada
Controller

Dr. Terry Giugni
Vice President - Instruction

Mr. Oscar De Haro
Vice President - Student Services

See accompanying note to the supplementary information.

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

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
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, 2014

	PROGRAM ENTITLEMENT			PROGRAM REVENUES				
Program Title	Current Year Auth. Amt.	Prior Year Carry-Over	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
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 Entrepreneureal 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 - EVOC 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, 2014

	Reported Data	Audit Adjustments*	Audited Data
CATEGORIES			
Credit Full-Time Equivalent Student (FTES)			
1. Summer	369	-	369
2. Weekly census	3,838	-	3,838
3. Daily census	326	-	326
4. Actual hours of attendance	600	-	600
Subtotal	5,133	-	5,133
Noncredit FTES			
1. Summer	70	-	70
2. Actual hours of attendance	345	-	345
Subtotal	415	-	415
Total FTES	5,548	-	5,548
Basic Skills Courses			
1. Credit			85
2. Noncredit			-
Total Basic Skills FTES			85
In-service Training Courses			-

* There were no adjustment made as a result of auditing procedures

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, 2014

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	5,758,619	-	5,758,619	5,758,619	-	5,758,619
Other	1300	3,757,145	-	3,757,145	3,757,145	-	3,757,145
Total Instructional Salaries		9,515,764	-	9,515,764	9,515,764	-	9,515,764
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	2,751,135	-	2,751,135
Other	1400	-	-	-	255,922	-	255,922
Total Non-Instructional Salaries		-	-	-	3,007,057	-	3,007,057
Total Academic Salaries		9,515,764	-	9,515,764	12,522,821	-	12,522,821
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	4,806,036	-	4,806,036
Other	2300	-	-	-	405,750	-	405,750
Total Non-Instructional Salaries		-	-	-	5,211,786	-	5,211,786
Instructional Aides							
Regular Status	2200	559,415	-	559,415	559,415	-	559,415
Other	2400	272,545	-	272,545	272,545	-	272,545
Total Instructional Aides		831,960	-	831,960	831,960	-	831,960
Total Classsified Salaries		831,960	-	831,960	6,043,746	-	6,043,746
Employee Benefits	3000	2,637,502	-	2,637,502	6,634,796	-	6,634,796
Supplies and Materials	4000	-	-	-	706,450	-	706,450
Other Operating Expenses	5000	259,078	-	259,078	2,766,842	-	2,766,842
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		13,244,304	-	13,244,304	28,674,655	-	28,674,655
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Invcentives	5900	413,974	-	413,974	413,974	-	413,974
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	629,338	-	629,338
Object to Exclude							
Rents and Leases	5060	-	-	-	109,702	-	109,702
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	13,937	-	13,937
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	1,767	-	1,767
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	363	-	363
Instructional Supplies & Materials	4300	-	-	-	122	-	122
Non-instructional Supplies & Materials	4400	-	-	-	21,161	-	21,161
Total Supplies and Materials		-	-	-	21,646	-	21,646
Other Operating Expenses and Services	5000	-	-	-	648,529	-	648,529
Capital Outlay	6000						
Library Books	6300	-	-	-	12,276	-	12,276
Equipment	6400						
Equipment - Additional	6410	-	-	-	279,131	-	279,131
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	279,131	-	279,131
Total Capital Outlay		-	-	-	291,407	-	291,407
Other Outgo	7000	-	-	-	1,071,613	-	1,071,613
Total Exclusions		$ 413,974	$ -	$ 413,974	$ 3,201,913	$ -	$ 3,201,913
Total for ECS 84362, 50% Law		$ 12,830,330	$ -	$ 12,830,330	$ 25,472,742	$ -	$ 25,472,742
Percent of CEE (Instructional Salary Cost/Total CEE)		50.37%	0.00%	50.37%	100.00%	0.00%	100.00%
50% of Current Expense of Education		$ -	$ -	$ -	$ 12,736,371	$ -	$ 12,736,371

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, 2014

EPA Revenue	4,394,508

Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Total	0100-5900	4,394,508	-	-	4,394,508

See accompanying note to the supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. Local Educational Agency Organizational Structure

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

B. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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

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

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

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

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

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

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

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

G. Details of the Education Protection Account

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

OTHER INDEPENDENT AUDITORS' REPORTS

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, 2014, 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 October 20, 2014.

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.

San Diego, California
October 20, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Napa Valley Community College District's major federal programs for the year ended June 30, 2014. 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.

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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, 2014.

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.

San Diego, California
October 20, 2014

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Napa Valley Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2013-14*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2014.

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) 2013-14*, 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.

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Opinion on State Compliance

As described in finding #2014-1 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, 2014.

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 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) 2013-14*. Accordingly, this report is not suitable for any other purpose.

San Diego, California
October 20, 2014

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

Section II – Financial Statement Findings

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

There were no financial statement findings or questioned costs identified during 2013-14.

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 2013-14.

Section IV – State Award Findings and Questioned Costs

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

FINDING #2014-1 – ANNUAL CCFS-311 REPORTING

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

Condition: In our testing of the District annual CCFS-311 for the fiscal year 2013-14 we noted that the certification and filing did not occur by October 10, 2013.

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, 2014.

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 and certified in a timely fashion.

FINDING #2013-1 – ANNUAL CCFS-311 REPORTING

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

Condition: In our testing of the District annual CCFS-311 for the fiscal year 2012-13 we noted that the certification and filing did not occur by October 10, 2013.

Questioned Costs: No questioned costs noted.

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

Cause: The annual CCFS-311 report was certified to the State Chancellor's Office on December 5, 2013.

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 2012-13 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: See finding #2014-1

FINDING #2013-2: DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

Criteria: Records must be available to support the determination of eligibility for all students participating in DSPS per CCR Title V, Section 56006. In addition, a student educational contract should be prepared for and agreed upon by every student enrolled in DSPS per CCR Title V, Section 56022.

Condition: During our testing of 15 statistically significant sampled students enrolled in DSPS, we noted the following exceptions:

- For 9/15 students sampled, student educational contracts tested were not signed by the student.
- For 8/15 student sampled (3 at Napa College and 5 at off-site locations), we were unable to obtain disability verification forms.

Questioned Cost: Based upon the extrapolation of our audit results based on students served during the 2012-13 academic year, we estimate that 1,146 student educational contracts were unsigned, and 1,019 student files did not contain evidence of disability verification. With DSPS funding for individual students based upon need and services provided, we could not extrapolate the results of our findings into a monetary questioned cost.

Cause: Unknown.

Effect: Non-compliance with CCR Title V, Sections 56006 and 56022.

Recommendation: Records should be maintained to support the eligibility determination for all students. In addition, all student educational contracts should be signed by the related student as well as the DSPS professional staff.

District Response: The District agrees with this finding, and will implement procedures to ensure that eligibility determination records are maintained and all student educational contracts are signed by the related students.

Current Status: Implemented