NAPA VALLEY
COMMUNITY COLLEGE DISTRICT

COUNTY OF NAPA

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2018

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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NAPA VALLEY COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INDEPENDENT AUDITORS' REPORT

The 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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post-Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of the Napa Valley Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Napa Valley Community College District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
December 21, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis provides an overview of the financial position and activities of the Napa Valley Community College District for the year ended June 30, 2018. 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 $(52.8) million at June 30, 2018 This was a decrease of $27.9 million over the prior year. This is related mainly to the Districts implementation of GASB Statement No. 75 and bringing on the net OPEB liability which resulted in a restatement of $22.6 million to the District's financial statements.

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, 2018 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, 2018 and 2017 are summarized below:

	2018	2017	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Total assets	$ 164,499,132	$ 167,965,461	$ (3,466,329)
Deferred outflow of resources	18,192,295	9,382,137	8,810,158
Total Assets and Deferred Outflows of Resources	182,691,427	177,347,598	5,343,829
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	22,513,046	21,172,610	1,340,436
Non-current liabilities	205,972,039	178,383,848	27,588,191
Deferred inflows of resources	6,969,092	2,666,463	4,302,629
Total Liabilities and Deferred Inflows of Resources	235,454,177	202,222,921	33,231,256
NET POSITION			
Invested in capital assets, net of related debt	9,425,344	8,061,717	1,363,627
Restricted	10,534,657	10,174,264	360,393
Unrestricted	(72,722,751)	(43,111,304)	(29,611,447)
Total Net Position	$ (52,762,750)	$ (24,875,323)	$ (27,887,427)

The District's total assets and deferred outflows of resources increased $5.3 million or 3 percent from the previous year. The majority of the increase was due to changes in deferred outflows of resources as a result of GASB pension standards.

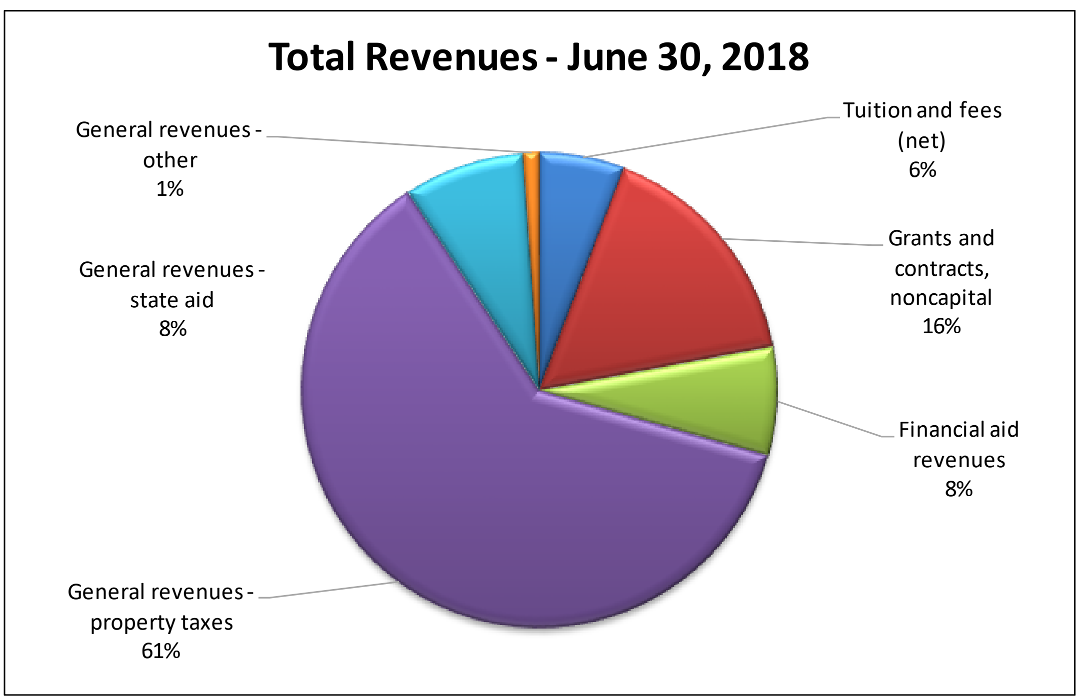
Total liabilities and deferred inflows of resources increased $33.2 million or 16.4 percent. This is related mainly to the Districts implementation of GASB Statement No. 75 and bringing on the net OPEB liability which resulted in a restatement of $22.6 million to the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2018 and 2017 are summarized below:

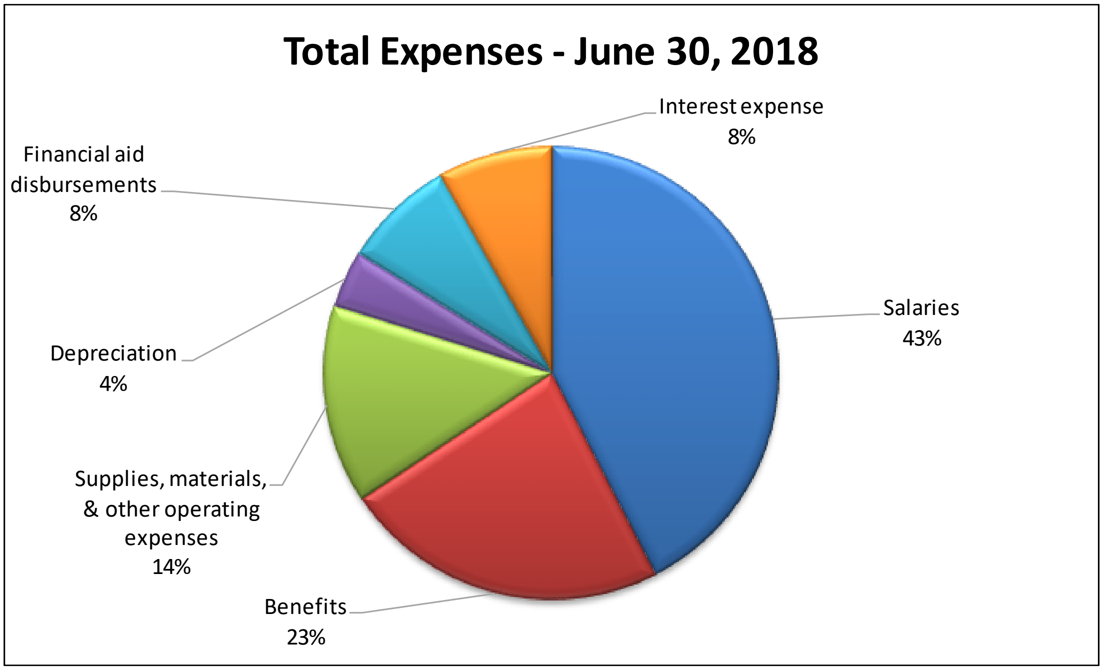
	2018	2017	Change
REVENUES			
Tuition and fees (net)	$ 3,873,679	$ 4,250,004	$ (376,325)
Grants and contracts, noncapital	10,763,893	10,427,566	336,327
Financial aid revenues	4,913,031	4,947,372	(34,341)
General revenues - property taxes	40,638,027	36,870,717	3,767,310
General revenues - state aid	5,423,721	8,582,240	(3,158,519)
General revenues - other	744,725	906,109	(161,384)
Total Revenues	66,357,076	65,984,008	373,068
EXPENSES			
Operating expenses	60,523,420	55,641,237	4,882,183
Financial aid disbursement to students	5,842,808	5,595,838	246,970
Interest	5,500,730	1,808,718	3,692,012
Total Expenses	71,866,958	63,045,793	8,821,165
Change in Net Position	$ (5,509,882)	$ 2,938,215	$ (8,448,097)

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, 2018, the District had approximately $184.6 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 $53.2 million, leaving a net capital asset amount of $131.8 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:

	2018	2017	Change
Capital Assets not being depreciated	$ 400,003	$ 987,397	$ (587,394)
Capital Assets being depreciated	184,621,654	183,056,451	1,565,203
Accumulated depreciation	(53,218,889)	(49,670,858)	(3,548,031)
Total Capital Assets	$ 131,802,768	$ 134,372,990	$ (2,570,222)

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The Legislature of the State of California approved its budget for fiscal year 2018-2019 in June 2018, and the Governor subsequently approved the budget. The budget included a change in the calculation of funding for Community College, reflecting a new funding formula that incorporates funding based on student achievement and student need as well as a base amount per FTES.

While the approved budget reflects increased funding for Community Colleges and would result in an increase in calculated base funding for Napa Valley College, this change will not result in an increase in state funding to the College as the College forecasts a similar increase in local funding due to increasing property tax revenue. This change in funding source reflects Napa Valley College's shift starting in 2016-2017 and confirmed in 2017-2018 to a "basic aid" or "community supported" district. In a "community supported" district, local revenues meet or exceed the funding estimated by state formulas to be required to support the level of FTES generated based on the previously-stated per FTES and student achievement funding levels.

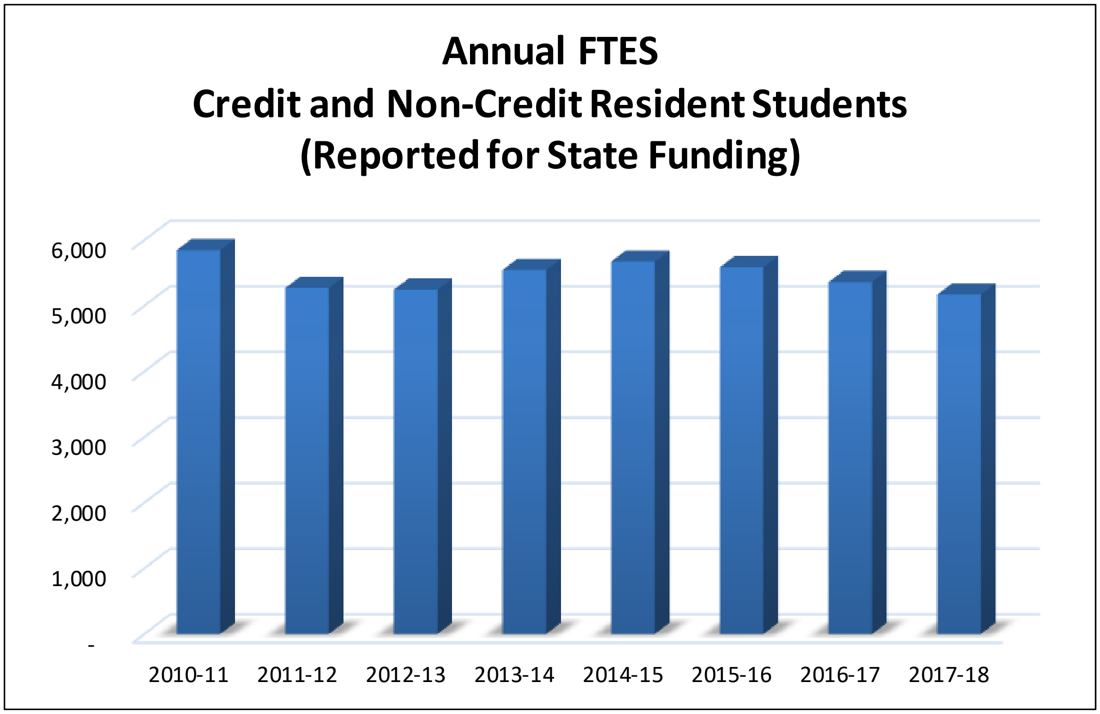
Available reserves have exceeded the statutory requirement for 2016-17 and 2017-2018, and while the District has budgeted to use reserves set aside from one-time funding to support annual unusual expenditure levels (such as increases in PERS and STRS contribution rates) the District forecasts that local revenue increases over the next few years will provide funding for these increases on an on-going basis.

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

Finally, with the addition of GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions," the District restated its net position to bring on its full net OPEB liability. This resulted in a restatement of $21.8 million decrease to net position. The District expects to see increases in benefit expense as a result of GASB 75 in future periods.

HISTORICAL FULL TIME EQUIVALENT STUDENTS (FTES) TRENDS

In the 2018 fiscal year, the District reported 5,174 credit and non-credit resident FTES. See the below chart for a historical perspective on the changes in FTES over the past 8 fiscal years.



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL SECTION

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS		
Current Assets:		
Cash and cash equivalents	$	23,684,500
Accounts receivable, net		5,390,804
Due from other entities		2,757,978
Prepaid expenditures and other assets		863,082
Total Current Assets		32,696,364
Noncurrent Assets:		
Capital assets, net		131,802,768
Total Noncurrent Assets		131,802,768
TOTAL ASSETS		164,499,132
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		5,674,977
Deferred outflows - pension		12,517,318
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	182,691,427
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	7,213,536
Unearned revenue		4,876,615
Funds held in trust on behalf of others		1,827,895
Long-term debt, current portion		8,595,000
Total Current Liabilities		22,513,046
Noncurrent Liabilities:		
Compensated absences		1,650,516
Net pension liability		41,065,300
Long-term debt, non-current portion		163,256,223
Total Noncurrent Liabilities		205,972,039
TOTAL LIABILITIES		228,485,085
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - OPEB		2,796,266
Deferred Inflows - pensions		4,172,826
NET POSITION		
Net investment in capital assets		9,425,344
Restricted for:		
Debt service		9,859,424
Capital projects		675,233
Unrestricted		(72,722,751)
TOTAL NET POSITION		(52,762,750)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	182,691,427

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Tuition and fees	$ 6,965,121
Less: Scholarship discounts and allowances	(3,091,442)
Net tuition and fees	3,873,679
Grants and contracts, noncapital:	
Federal	2,439,231
State	7,744,253
Local	580,409
Subtotal	10,763,893
TOTAL OPERATING REVENUES	14,637,572
OPERATING EXPENSES	
Salaries	30,308,208
Employee benefits	16,704,442
Supplies, materials, and other operating expenses and services	10,410,187
Depreciation	3,100,583
TOTAL OPERATING EXPENSES	60,523,420
OPERATING INCOME (LOSS)	(45,885,848)
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	1,082,941
Local property taxes	31,099,513
State taxes and other revenues	3,039,372
Financial aid revenue	4,913,031
Financial aid disbursement to students	(5,842,808)
Investment income	192,687
Interest expense	(5,500,730)
Other non-operating revenues	1,301,408
TOTAL NON-OPERATING REVENUES (EXPENSES)	30,285,414
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(15,600,434)
State apportionments, capital	552,038
Local property taxes and revenues, capital	9,538,514
INCREASE (DECREASE) IN NET POSITION	(5,509,882)
NET POSITION -- BEGINNING OF YEAR	(24,875,323)
PRIOR YEAR ADJUSTMENT (SEE NOTE 12)	(22,377,545)
NET POSITION -- END OF YEAR	$ (52,762,750)

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$	3,873,679
Grants and contracts		10,643,368
Payments to or on behalf of employees		(41,281,201)
Payments to vendors for supplies and services		(11,651,671)
Net Cash Used by Operating Activities		(38,415,825)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments		1,082,941
Property taxes		31,099,513
State taxes and other revenues		3,039,372
Financial aid revenues		4,913,031
Financial aid disbursement to students		(5,842,808)
Other nonoperating revenues		1,436,686
Net Cash Provided by Non-capital Financing Activities		35,728,735
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(1,117,755)
Local property tax, capital		9,538,514
State apportionments, capital		552,038
Interest paid on capital debt		(9,571,038)
Net Cash Provided by Capital Financing Activities		(598,241)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		192,687
Net Cash Provided by Investing Activities		192,687
NET DECREASE IN CASH & CASH EQUIVALENTS		(3,092,644)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR		26,777,144
CASH & CASH EQUIVALENTS, END OF YEAR	$	23,684,500

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (45,885,848)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	3,100,583
Changes in Assets and Liabilities:	
Receivables, net	(573,181)
Prepaid expenditures and other assets	(540,876)
Deferred outflows of resources	(3,135,181)
Accounts payable and accrued liabilities	(700,608)
Deferred revenue	452,656
Compensated absences	280,797
Net pension liability	4,404,734
Net OPEB liability	(121,530)
Deferred inflows - OPEB	2,796,266
Deferred inflows - pensions	1,506,363
Total Adjustments	7,470,023
Net Cash Flows From Operating Activities	$ (38,415,825)

See accompanying notes to the financial statements.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2018

	Agency		
	Associated Students Napa Valley College	**Student Representation Fee**	**District Trust**
ASSETS			
Cash and cash equivalents	$ 100,958	$ 25,059	$ 4,036,691
Accounts receivable	(31,962)	-	12,036
Due from governmental funds	40,721	9,932	1,207,146
Total Assets	109,717	34,991	5,255,873
LIABILITIES			
Accounts payable	2,326	-	2,433,207
Deferred revenue	16,325	5,546	4,615
Due to governmental funds	3,255	16,792	2,013,206
Due to student groups	87,811	12,653	-
Total Liabilities	109,717	34,991	4,451,028
NET POSITION			
Reserved	-	-	804,845
Total Net Position	$ -	$ -	$ 804,845

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, 2018

	District Trust
Additions	
Operating revenues	$ 385,063
Total Additions	385,063
Deductions	
Other operating expenses	138,620
Total Deductions	138,620
CHANGE IN NET POSITION	246,443
NET POSITION, BEGINNING OF YEAR	558,402
NET POSITION, END OF YEAR	$ 804,845

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 education centers in American Canyon and 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 2017-2018 were 5,174.

Financial Reporting Entity

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

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

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

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

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

NOTE 1 – ORGANIZATION, continued

Financial Reporting Entity, continued

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

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

Joint Powers Agencies and Public Entity Risk Pools

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

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

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

Cash and Cash Equivalents

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

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

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District utilizes the allowance method with respect to its accounts receivable. The allowance was $931,556 at June 30, 2018.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

Deferred Charges

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

Capital Assets and Depreciation

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets and Depreciation, continued

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

Accrued Liabilities and Long-Term Obligations

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

Deferred Insurance Costs, Premiums, and Discounts

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

Compensated Absences

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

Deferred Revenue

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

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

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

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

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

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

Operating Revenues and Expenses

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Operating Revenues and Expenses, continued

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

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

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

State Apportionments

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

On-Behalf Payments

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

Estimates

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

Property Taxes

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes, continued

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

Scholarship Discounts and Allowance

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

Interfund Activity

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

Change in Accounting Principles

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments.

Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged; however, no such asset retirement obligations are known at this time.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged. This statement is not expected to have a significant effect on the district financial reporting.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District is in the process of determining the effect on the financial reporting.

Foundation

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Not-for-Profit Entities. This amendment will improve the current net asset classification requirements and the information presented in financial statements and notes regarding not-for-profit entities liquidity, financial performance, and cash flows. The Statement is effective for periods beginning after December 15, 2017. The Foundation has not yet determined the impact on the financial statements.

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, 2018.

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, 2018, consist of the following:

Governmental Funds:		
Cash on hand and in banks		200,000
Investment in Napa County Investment Pool		23,484,500
Total cash and investments	$	23,684,500

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 244-day weighted average maturity for the District's deposits of $23,360,972 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, 2018. As of June 30, 2018, 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, 2018, the District's bank balances were not exposed to custodial credit risk because the individual balances were below $250,000 and as such, were covered under the FDIC insurance limit.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. At June 30, 2018 accounts receivable totaled $5,390,804. All receivables are considered collectible in full. As of December 21, 2018, $3,000,833 has been received.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Restatement	Restated Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets not being Depreciated						
Land	$ 987,397	$ (587,394)	$ 400,003	$ -	$ -	$ 400,003
Total Capital Assets not being Depreciated	987,397	(587,394)	400,003	-	-	400,003
Capital Assets being Depreciated						
Site improvements	42,978,914	587,394	43,566,308	-	-	43,566,308
Buildings & improvements	120,817,136	-	120,817,136	755,082	-	121,572,218
Furniture & equipment	19,260,401	-	19,260,401	362,673	139,946	19,483,128
Total Capital Assets being Depreciated	183,056,451	587,394	183,643,845	1,117,755	139,946	184,621,654
Total Capital Assets	184,043,848	-	184,043,848	1,117,755	139,946	185,021,657
Accumulated Depreciation	49,670,858	587,394	50,258,252	3,100,583	139,946	53,218,889
Net Capital Assets	$ 134,372,990	$ (587,394)	$ 133,785,596	$ (1,982,828)	$ -	$ 131,802,768

NOTE 6 – LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations for the 2018 fiscal year consisted of the following:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Long-Term Obligations					
General obligation bonds	$ 125,707,012	$ 64,596,547	$ 66,594,790	$ 123,708,769	$ 8,595,000
Premium on bonds	3,034,617	4,271,053	1,063,771	6,241,899	-
Compensated absences	1,369,719	280,797	-	1,650,516	-
Other postemployment benefits	42,815,042	-	914,487	41,900,555	-
Total Long-Term Obligations	$ 172,926,390	$ 69,148,397	$ 68,573,048	$ 173,501,739	$ 8,595,000

Description of Debt

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

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

Bonded Debt

The outstanding general obligation bonded debt as of June 30, 2018 is as follows:

Series	Issue Date	Yield	Maturity Date	Bonds Outstanding July 1, 2017	Additions	Redeemed	Bonds Outstanding June 30, 2018	Due Within One Year
2002 Series B	3/17/2005	2.35-5.38%	8/1/2029	$ 29,543,420	$ 1,573,405	$ -	$ 31,116,825	$ -
2002 Series C	7/18/2007	4.70-5.18%	8/1/2034	56,308,592	3,217,418	57,974,790	1,551,220	-
2015 Refunding	6/3/2014	0.32-2.71%	8/1/2021	39,855,000	-	8,620,000	31,235,000	8,595,000
2018 Refunding	6/13/2018	1.98-3.28%	8/1/2034	-	59,805,724	-	59,805,724	-
				$ 125,707,012	$ 64,596,547	$ 66,594,790	$ 123,708,769	$ 8,595,000

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

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, 2018, the principal balance outstanding (including accreted interest to date) was $31,116,825.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2019	$ -	$ -	$ -	$ -
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024-2028	12,498,186	-	24,331,814	36,830,000
2029-2030	3,489,537	-	8,335,463	11,825,000
Accretion	15,129,102	-	(15,129,102)	-
	$ 31,116,825	$ -	$ 17,538,175	$ 48,655,000

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. In June of 2018, the bonds were refunding with the 2018 refunding bonds. At June 30, 2018, the principal balance outstanding (including accreted interest to date) was $1,551,220.

Fiscal Year	Principal	Accreted Interest	Total
2019	$ -	$ -	$ -
2020	456,251	1,618,749	2,075,000
2021	-	-	-
2022	-	-	-
2023-2027	-	-	-
2028-2032	-	-	-
2033-2035	-	-	-
Accretion	1,094,969	(1,094,969)	-
	$ 1,551,220	$ 523,780	$ 2,075,000

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 year ended June 30, 2018.

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

2015 General Obligation Bonds, Refunding Bonds

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

The bonds issued consisted of $44,755,000 of Current Interest serial bonds. The bonds mature beginning on August 1, 2015 through August 1, 2021, with interest yield rates ranging from 0.32 percent to 2.71 percent. At June 30, 2018, the principal balance outstanding (including accreted interest to date) was $31,235,000.

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Bonded Debt, continued

2018 General Obligation Bonds, Refunding Bonds

Proceeds from the 2018 General Obligation Refunding Bonds of $59,805,724, issued in June 2018, were used to advance refund a portion of the outstanding Election 2002, Series C bonds. Investments backed by the U.S. government were purchased and placed in an irrevocable trust with an escrow agent. The investments and fixed earnings on the investments are sufficient to fully provide for all future debt service on the refunded bonds, and accordingly the refunding transaction met the criteria for an in-substance defeasance. The liabilities related to the refunded bonds were removed from the District's financial statements for the year ended June 30, 2018.

The bonds issued consisted of $40,410,000 of Convertible Capital Appreciation bonds. The bonds mature beginning on August 1, 2021 through August 1, 2034, with interest yields ranging from 1.98 percent to 3.28 percent At June 30, 2018, the principal balance outstanding (including accreted interest to date) was $59,805,724.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2019	$ -	$ -	$ -	$ -
2020	-	-	-	-
2021	-	-	-	-
2022	414,442	1,327,600	45,558	1,787,600
2023	5,356,207	2,636,800	588,793	8,581,800
2024-2028	5,716,591	10,979,800	628,409	17,324,800
2029-2033	30,213,693	8,821,800	3,321,307	42,356,800
2034-2035	18,104,791	1,217,600	1,990,209	21,312,600
Accretion	-	-	-	-
	$ 59,805,724	$ 24,983,600	$ 6,574,276	$ 91,363,600

Supplemental Early Retirement Plan

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

NOTE 6 – LONG-TERM OBLIGATIONS, continued

Compensated Absences
Compensated absences refer to accumulated unpaid employee vacation benefits that are accrued as a liability as the benefits are earned. At June 30, 2018, the balance outstanding was $1,650,516.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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.

Employees Covered by Benefit Term

The following is a table of plan participants as of the June 30, 2017 valuation:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	228
Inactive Employees/Dependents Entitled to but not yet Receiving Benefits	9
Active Employees	293
	530

OPEB Plan Investments

The plan discount rate of 3.46% was determined using the following asset allocation and assumed rate of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
CERBT		
Global Equity	57%	5.50%
Global Fixed Income	27%	2.35%
TIPS	5%	1.50%
Commodities	3%	1.75%
REITs	8%	3.65%
Total	100%	

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Discount rate	3.46%
Health care cost trend rate	6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO
Payroll increase	3.00%
Mortality	RPH 2014 mortality table with generational improvements using scale MP2017

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balance July 1, 2016	$ 46,609,342	$ 2,122,325	$ 44,487,017
Changes for the year:			
Service cost	2,015,712	-	2,015,712
Interest	1,403,950	-	1,403,950
Employer contributions	-	1,671,975	(1,671,975)
Changes of assumptions	(4,095,479)		(4,095,479)
Net investment income	-	239,866	(239,866)
Administrative expense	-	(1,196)	1,196
Benefit payments	(1,417,367)	(1,417,367)	-
Net change	(2,093,184)	493,278	(2,586,462)
Balance June 30, 2017	$ 44,516,158	$ 2,615,603	$ 41,900,555

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability at June 30, 2018 was 5.88%.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $2,684,437. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 65,947
Change in assumptions	-	2,730,319
	$ -	$ 2,796,266

The deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflows of resources resulting from a change in assumption will be amortized to OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (1,381,647)
2020	(1,381,646)
2021	(16,487)
2022	(16,486)
	$ (2,796,266)

Sensitivity of the net pension liability to assumptions

The following presents the net OPEB liability calculated using the discount rate of 3.46 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percent higher:

	Discount Rate 1% Lower (2.46%)	Current Discount Rate (3.46%)	Discount Rate 1% Higher (4.46%)
Net OPEB liability	$ 50,119,471	$ 41,900,555	$ 35,482,551

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS, continued

Sensitivity of the net pension liability to assumptions, continued

The following table presents the net OPEB liability calculated using the heath care cost trend rate of 6.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower and 1 percent higher:

	1% Lower (5.00%HMO/5.50%PPO decreasing to 4.00%HMO/4.00%PPO)	Current Trend Rate (6.00%HMO/6.50%PPO decreasing to 5.00%HMO/5.00%PPO)	1% Higher (7.00%HMO/7.50%PPO decreasing to 6.00%HMO/6.00%PPO)
Net OPEB liability	$ 34,888,702	$ 41,900,555	$ 51,063,250

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.

NOTE 8 – RISK MANAGEMENT, continued

Participation in Public Entity Risk Pools and JPAs

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

NOTE 9 – NET PENSION LIABILITY

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 19,122,333	$ 5,316,281	$ 3,896,317	$ 1,582,674
CalPERS	21,942,967	7,201,037	276,509	5,092,834
Total	$ 41,065,300	$ 12,517,318	$ 4,172,826	$ 6,675,508

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

General Information about the Pension Plan

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

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

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

NOTE 9 – NET PENSION LIABILITY, continued

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

General Information about the Pension Plan, continued

may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.89%	13.89%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $2,196,574.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $21,942,967. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0920 percent and 0.0922 percent, resulting in a net decrease in the proportionate share of 0.0002 percent.

NOTE 9 – NET PENSION LIABILITY, continued

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

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

For the year ended June 30, 2018, the District recognized pension expense of $5,092,834. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ 309,029	$ -
Differences between expected and actual experience	796,079	-
Changes in assumptions	3,205,115	268,425
Net changes in proportionate share of net pension liability	694,240	8,084
District contributions subsequent to the measurement date	2,196,574	-
Total	$ 7,201,037	$ 276,509

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,075,711
2020	1,559,467
2021	1,510,468
2022	(417,692)
	$ 4,727,954

Actuarial assumptions. For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

NOTE 9 – NET PENSION LIABILITY, continued

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

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	100%		

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

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

NOTE 9 – NET PENSION LIABILITY, continued

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is in the following table:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	$ 32,285,137	$ 21,942,967	$ 13,363,272

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

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

General Information about the Pension Plan

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

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

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

NOTE 9 – NET PENSION LIABILITY, continued

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

General Information about the Pension Plan, continued

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2018 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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

Contributions - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $1,703,018.

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of state general fund contributions of approximately $815,579 to CalSTRS.

NOTE 9 – NET PENSION LIABILITY, continued

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

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	$	19,122,333
State's proportionate share of the net pension liability associated with the District		11,312,703
Total	$	30,435,036

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0207 percent and 0.0228 percent, resulting in a net decrease in the proportionate share of 0.0021 percent.

For the year ended June 30, 2018, the District recognized pension expense of $1,582,674. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ -	$ 786,434
Differences between expected and actual experience	70,716	368,310
Changes in assumptions	3,542,547	-
Net changes in proportionate share of net pension liability	-	2,741,573
District contributions subsequent to the measurement date	1,703,018	-
Total	$ 5,316,281	$ 3,896,317

NOTE 9 – NET PENSION LIABILITY, continued

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

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (353,193)
2020	(353,194)
2021	(39,749)
2022	(589,844)
2023	450,713
Thereafter	602,213
	$ (283,054)

Actuarial Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

NOTE 9 – NET PENSION LIABILITY, continued

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

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

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

Discount rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10% percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	$ 28,077,656	$ 19,122,333	$ 11,854,482

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES, continued

Operating Leases

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

Construction Commitments

The District had no significant construction commitments at June 30, 2018.

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, 2018, the Foundation indirectly supported the District by providing grants to students of the College, paying programmatic expenditures, and/or reimbursing District personnel and departments for programmatic costs.

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

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The beginning net position decreased by $22,377,545. This was due to adjustments made to bring on the net OPEB liabilities following the District's implementation of GASB Statements No. 75 during the year ended June 30, 2018. See Note 2, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75. Total restatement was $22,583,108. Additionally, there was an adjustment to capital assets to move a portion of land to land improvements and adjust accumulated depreciation. Total adjustment was $587,394.

NOTE 13 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2018 through December 21, 2018, the date the financial statements were issued. No items requiring disclosure were noted.

REQUIRED SUPPLEMENTARY INFORMATION

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

		2018
Total OPEB liability		
Service cost	$	2,015,712
Interest on Total OPEB Liability		1,403,950
Change in assumptions		(4,095,479)
Benefit payments		(1,417,367)
Net change in total OPEB liability		(2,093,184)
Total OPEB liability, beginning of year		46,609,342
Total OPEB liability, end of year (a)	$	44,516,158
Plan fiduciary net position		
Employer contributions	$	1,671,975
Net investment income		239,866
Administrative expense		(1,196)
Benefit payments		(1,417,367)
Change in plan fiduciary net position		493,278
Fiduciary trust net position, beginning of year		2,122,325
Fiduciary trust net position, end of year (b)	$	2,615,603
Net OPEB liability(asset), ending (a) - (b)	$	41,900,555
Covered payroll	$	29,500,000
Plan fiduciary net position as a percentage of the total OPEB liability(asset)		5.88%
Net OPEB liability(asset) as a percentage of covered payroll		142.04%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Actuarially determined contribution	$ 1,444,946
Contributions in relations to the actuarially determined contribution	1,671,975
Contribution deficiency (excess)	$ (227,029)
Covered-employee payroll	$ 29,500,000
Contribution as a percentage of covered-employee payroll	5.67%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

Cal STRS	2018	2017	2016	2015
District's proportion of the net pension liability	0.021%	0.023%	0.023%	0.022%
District's proportionate share of the net pension liability	$ 19,122,333	$ 18,447,800	$ 15,380,569	$ 12,049,454
State's proportionate share of the net pension liability associated with the District	11,312,703	10,503,549	8,134,652	8,799,612
Total	$ 30,435,036	$ 28,951,349	$ 23,515,221	$ 20,849,066
District's covered - employee payroll	$ 11,801,927	$ 11,644,006	$ 8,775,536	$ 6,114,322
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	162.03%	158.43%	175.27%	197.07%
Plan fiduciary net position as a percentage of the total pension liability	69.0%	70.0%	76.5%	76.5%

Cal PERS	2018	2017	2016	2015
District's proportion of the net pension liability	0.092%	0.092%	0.096%	0.097%
District's proportionate share of the net pension liability	$ 21,942,967	$ 18,212,766	$ 14,076,924	$ 11,978,041
District's covered - employee payroll	$ 15,814,068	$ 13,718,877	$ 10,502,371	$ 9,807,676
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	138.76%	132.76%	134.04%	122.13%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	83.4%	83.4%

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSIONS
FOR THE YEAR ENDED JUNE 30, 2018

	Reporting Fiscal Year			
CalSTRS	2018	2017	2016	2015
Statutorily required contribution	$ 1,703,018	$ 1,464,816	$ 2,031,915	$ 917,434
District's contributions in relation to the statutorily required contribution	1,703,018	1,464,816	2,031,915	917,434
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 11,801,927	$ 11,644,006	$ 8,775,536	$ 6,114,322
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	23.15%	15.00%

	Reporting Fiscal Year			
CalPERS	2018	2017	2016	2015
Statutorily required contribution	$ 2,196,574	$ 1,905,552	$ 1,447,948	$ 1,223,103
District's contributions in relation to the statutorily required contribution	2,196,574	1,905,552	1,447,948	1,223,103
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 15,814,068	$ 13,718,877	$ 10,502,371	$ 9,807,676
District's contributions as a percentage of covered-employee payroll	13.89%	13.89%	13.79%	12.47%

SUPPLEMENTARY INFORMATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ms. Mary Ann Mancuso	Board Chair	2018
Mr. Kyle Iverson	Vice President	2018
Ms. Jennifer Baker	Trustee	2020
Mr. Michael Baldini	Trustee	2018
Mr. Rafael Rios	Trustee	2020
Ms. Amy Martenson	Trustee	2018
Ms. Rosaura Segura	Trustee	2020
Huzaifa Kamran Khawaja	Student Trustee	2019

DISTRICT ADMINISTRATORS

Dr. Ronald Kraft
Superintendent/President

Mr. Robert Parker
Assistant Superintendent/Vice President - Administrative Services

Mr. Erik Shearer
Assistant Superintendent/Vice President - Academic Affairs

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

Ms. Charo Albarran
Executive Director of Human Resources

Mr. Joseph Latunski, CPA
Controller

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Pass Through/ Grant Number	CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Department of Education			
STUDENT FINANCIAL AID CLUSTER			
Passed through/direct award			
Federal Work Study	*	84.033	$ 277,344
Talent Search	*	84.044	370,196
Student Support Services	*	84.042	318,553
Title V Higher Education Act			
Higher Education - Institutional Aid	P031S150024	84.031S	850,630
Career and Technical Education Act			
CTE Transitions - Perkins IV	*	84.048	77,504
VTEA Title II C - Block Grant	*	84.049	165,281
U.S. DEPARTMENT OF TRANSPORTATION			
FEDERAL HIGHWAY ADMINISTRATION			
Passed through/direct award			
Highway Training and Education	*	20.215	38,500
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families	*	93.558	32,402
CDC Training Consortium	*	93.575	16,531
U.S. DEPARTMENT OF COMMERCE			
Small Business Development Center	*	59.037	364,679
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Rising Data	*	43.001	465,603
Total Federal Programs			$ 2,977,223

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

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAM ENTITLEMENT			PROGRAM REVENUES				
Program Title	Current Year Auth. Amt.	Prior Year Carry-Over	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
Adult Education Block Grant	$ 255,643	$ 351,398	$ 607,041	$ 607,041	$ -	$ -	$ 607,041	$ 607,041
Basic Skills 16/17	-	70,117	70,117	70,117	-	-	70,117	70,117
Basic Skills CY	184,163	-	184,163	184,163	-	71,929	112,234	112,234
CalWORKS	110,588	-	110,588	110,588	-	-	110,588	110,588
CalWORKS Child Care	36,989	-	36,989	36,989	-	-	36,989	36,989
CalWORKS Work Study	6,905	-	6,905	6,905	-	-	6,905	6,905
CARE - Federal Grant	7,496	-	7,496	7,496	-	-	7,496	7,496
CARE - State Grant	67,788	-	67,788	67,788	-	-	67,788	67,788
Campus Safety & Sexual Assault Allocation	16,197	-	16,197	16,197	-	-	16,197	16,197
CCC Guided Pathways - Framework	164,691	-	164,691	164,491	-	-	164,491	164,491
DSN Small Business #8	-	42,127	42,127	42,127	-	-	42,127	42,127
DSN Small Business #9	235,000	-	235,000	-	205,138	-	205,138	205,138
DSPS	1,163,744	-	1,163,744	1,163,744	-	-	1,163,744	1,163,744
Emergency Behicle Training (EVOC)	105,000	-	105,000	-	-	-	-	-
EOPS - Federal Grant	57,296	-	57,296	57,296	-	-	57,296	57,296
EOPS - State Grant	619,988	-	619,988	619,988	-	-	619,988	619,988
Faculty Staff Diversity (EEO) PY	-	10,707	10,707	10,707	-	9,412	1,295	1,295
Faculty Staff Diversity (EEO) CY	50,000	-	50,000	50,000	-	49,750	250	250
Financial Aid - BFAP	246,950	-	246,950	246,950	-	-	246,950	246,950
Foster Parent Training - CSEC	4,250	-	4,250	2,550	1,700	-	4,250	4,250
Hunger Free Campus	11,956	-	11,956	11,956	-	-	11,956	11,956
Institutional Effectiveness Partnership Initiative	200,000	-	200,000	200,000	-	-	200,000	200,000
Instructional Equipment On going CY	166,789	-	166,789	166,789	-	6,565	160,224	160,224
Leadership Accademy	-	48,689	48,689	48,689	-	26,659	22,030	22,030
Lottery Funds	341,474	-	341,474	201,150	140,324	-	341,474	341,474
MESA Jul-Oct Extension	-	14,559	14,559	14,559	-	-	14,559	14,559
MESA - CY	74,515	-	74,515	67,064	2,830	-	69,894	69,894
PT Faculty Compensation	160,942	-	160,942	160,942	-	-	160,942	160,942
Strong Workforce - Local	537,304	459,874	997,178	997,178	-	868,061	129,117	129,117
Strong Workforce - Regional	295,513	214,449	509,962	84,152	16,795	43,884	57,063	57,063
Student Success - Non-Credit PY Carryover	-	27,655	27,655	27,655	-	-	27,655	27,655
Student Success Credit (SSSP) - CY	1,459,207	-	1,459,207	1,459,207	-	-	1,459,207	1,459,207
Student Success - Non-Credit CY	46,322	-	46,322	46,322	-	-	46,322	46,322
Student Success (Equity) - CY	496,094	-	496,094	496,094	-	-	496,094	496,094
Student Success Credit (SSSP) - PY	-	369,382	369,382	369,382	-	-	369,382	369,382
Student Success (Equity) PY	-	182,442	182,442	182,442	-	-	182,442	182,442
Transfer & Articulation PY	-	276	276	276	-	276	-	-
YEP - Rancho Santiago	-	45,000	45,000	45,000	-	35,000	10,000	10,000
Veteran's Resource Center	23,537	-	23,537	23,537	-	-	23,537	23,537
Total State Programs	$ 7,146,341	$ 1,836,675	$ 8,983,016	$ 8,067,531	$ 366,787	$ 1,111,536	$ 7,322,782	$ 7,322,782

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit*	97.84	-	97.84
2. Credit	131.25	-	131.25
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit*	-		-
2. Credit	353.00	-	353.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,823.34	-	2,823.34
(b) Daily Census Contact Hours	218.33	-	218.33
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	326.68	-	326.68
(b) Credit	478.23	-	478.23
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	589.03	-	589.03
(b) Daily Census Contact Hours	156.45	-	156.45
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	5,174.15	-	5,174.15
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	25.53	-	25.53
2. Noncredit	-	-	-
Total Basic Skills FTES	25.53	-	25.53
CCFS 320 Addendum			
CDCP Noncredit FTES	5.77	-	5.77
Centers FTES			
1. Credit	8.53	-	8.53
2. Noncredit*	446.36	-	446.36
Total Centers FTES	454.89	-	454.89

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

See accompanying note to the supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018. The original version certified by the District did not contain complete financial information, see Finding 2018-01.

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	6,799,678	-	6,799,678	6,799,678	-	6,799,678
Other	1300	4,724,607	-	4,724,607	4,735,379	-	4,735,379
Total Instructional Salaries		11,524,285	-	11,524,285	11,535,057	-	11,535,057
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	3,596,530	-	3,596,530
Other	1400	-	-	-	199,620	-	199,620
Total Non-Instructional Salaries		-	-	-	3,796,150	-	3,796,150
Total Academic Salaries		11,524,285	-	11,524,285	15,331,207	-	15,331,207
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	5,153,074	-	5,153,074
Other	2300	-	-	-	626,897	-	626,897
Total Non-Instructional Salaries		-	-	-	5,779,971	-	5,779,971
Instructional Aides							
Regular Status	2200	771,979	-	771,979	812,047	-	812,047
Other	2400	262,978	-	262,978	262,976	-	262,976
Total Instructional Aides		1,034,957	-	1,034,957	1,075,023	-	1,075,023
Total Classsified Salaries		1,034,957	-	1,034,957	6,854,994	-	6,854,994
Employee Benefits	3000	3,751,941	-	3,751,941	7,173,429	-	7,173,429
Supplies and Materials	4000	-	-	-	776,281	-	776,281
Other Operating Expenses	5000	639,485	-	639,485	4,566,730	-	4,566,730
Equipment Replacement	6420	-	-	-	37,219	-	37,219
Total Expenditures Prior to Exclusions		16,950,668	-	16,950,668	34,739,860	-	34,739,860
Exclusions							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Srvcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	29,409	-	29,409
Lottery Expenditures							
Academic Salaries	1000	-	-	-	8,369	-	8,369
Classified Salaries	2000	-	-	-	812,047	-	812,047
Employee Benefits	3000	-	-	-	1,836	-	1,836
Supplies and Materials	4000						
Software	4100	-	-	-	1,339	-	1,339
Books, Magazines & Periodicals	4200	-	-	-	91	-	91
Instructional Supplies & Materials	4300	-	-	-	100,089	-	100,089
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	101,519	-	101,519
Other Operating Expenses and Services	5000	-	-	-	182,731	-	182,731
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400						
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		$ -	$ -	$ -	$ 1,135,911	$ -	$ 1,135,911
Total for ECS 84362, 50% Law		$ 16,950,668	$ -	$ 16,950,668	$ 33,603,949	$ -	$ 33,603,949
Percent of CEE (Instructional Salary Cost/Total CEE)		50.44%	0.00%	50.44%	100.00%	0.00%	100.00%
50% of Current Expense of Education					$ 16,801,975	$ -	$ 16,801,975

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
DETAILS OF THE EDUCATION PROTECTION ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

EPA Revenue	562,218

Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	0100-5900	562,218	-	-	562,218
Total		562,218	-	-	562,218

See accompanying note to the supplementary information.

NAPA VALLEY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Total audited fund balances as reported on the Annual Financial and Budget Report (CCFS-311)		$ 19,173,948
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	$ 400,003	
Depreciable capital assets	184,621,654	
Accumulated depreciation	(53,218,889)	131,802,768
Unmatured Interest		(395,630)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(41,065,300)
Compensated absences		(1,650,516)
OPEB liability		(41,900,555)
Long-term debt		(129,950,668)
Deferred outflows of resources		18,192,295
Deferred inflows of resources		(6,969,092)
Total net position reported within the Statement of Net Position		$ (52,762,750)

See accompanying note to the supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. District Organizational Structure

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

B. Schedule of Expenditures of Federal Awards

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

C. Schedule of Revenues and Expenditures of State Awards

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

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

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

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

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

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

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

NOTE 1 – PURPOSE OF SCHEDULES, continued

G. Details of the Education Protection Account

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

H. Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the governmental fund balances to the audited financial statements.

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, 2018, and the related notes to the financial statements, which collectively comprise the Napa Valley Community College District's basic financial statements, and have issued our report thereon dated December 21, 2018.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

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.

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

Compliance and Other Matters

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

Purpose of this Report

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

CWDL, Certified Public Accountants

San Diego, California
December 21, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Napa Valley Community College District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Napa Valley Community College District's major federal programs for the year ended June 30, 2018. Napa Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Napa Valley Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

CWDL, Certified Public Accountants

San Diego, California
December 21, 2018

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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) 2017-18*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018.

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) 2017-18*, 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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2018.

In addition, we noted one instance of non-compliance that we considered not to be a significant deficiency nor a material weakness in nature. We have summarized this instance at Finding #2018-01. We do not modify our opinion with respect to this finding.

Other Matters

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

Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Instructional Service Agreements/Contracts
Section 424 – State General Apportionment Funding System
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428 – Student Equity
Section 429 – Student Success and Support Program (SSSP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 435 – Open Enrollment
Section 439 – Proposition 39 Clean Energy
Section 440 – Intersession Extension Program
Section 444 – Apprenticeship Related and Supplemental Instructions (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 479 – To Be Arranged Hours (TBA)
Section 490 – Proposition 1D State Bond Funded Projects
Section 491 – Proposition 55 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2017-18*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 21, 2018

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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, 2018

FINANCIAL STATEMENTS

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

CFDA Numbers	Name of Federal Program of Cluster
84.033 84.044, 84.042	Student Financial Aid Cluster
84.031S	Higher Education - Institutional Aid

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Type of auditors' report issued on compliance for State programs:	Unmodified

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 2017-18.

Section III – Federal Award Findings and Questioned Costs

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

There were no federal award findings or questioned costs identified during 2017-18.

Section IV – State Award Findings and Questioned Costs

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

FINDING #2018-01 – 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 assets, liabilities, 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 2017-18 we noted that the original certification and filing did not contain any asset or liability information.

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 29, 2018.

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: A revised CCFS-311 report for 2017-18 was completed and filed with the State Chancellor's Office. It contained accurate and complete financial information for all funds. It is expected that all subsequent reports will be completed in a timely fashion and contain all required financial information.

FINDING #2017-01 – ANNUAL CCFS-311 REPORTING

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

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

Questioned Costs: No questioned costs noted.

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

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

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

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

Current Status: See Finding #2018-01