

**SAN JOAQUIN DELTA
COMMUNITY COLLEGE DISTRICT**
Stockton, California

FINANCIAL STATEMENTS
June 30, 2015

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2015

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SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Joaquin Delta Community College District
Stockton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit and fiduciary activities of San Joaquin Delta Community College District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise San Joaquin Delta 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. The financial statements of Delta College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit and fiduciary activities, of San Joaquin Delta Community College District, as of June 30, 2015, 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 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 10 and 11, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. 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* on pages 4 to 10 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 51 to 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 San Joaquin Delta Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents have 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are 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 18, 2015 on our consideration of San Joaquin Delta 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 San Joaquin Delta Community College District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Sacramento, California
December 18, 2015

San Joaquin Delta Community College District
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2015

This section of the San Joaquin Delta Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. This is prepared in compliance with reporting standards required for public colleges and universities. Responsibility for the completeness and accuracy of this information rests with the District's management.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which established a new reporting format for annual financial statements of governmental entities. In November 1999, GASB issued Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, which applies these reporting standards to public colleges and universities such as San Joaquin Delta Community College District. The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

USING THIS REPORT

As required by Generally Accepted Accounting Principles (GAAP), the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position, and the Statement of Cash Flows.

The focus of the Statement of Net Position is to present data contained in the balance sheet, in a consolidated format, for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets against long-term obligations. The Statement of Revenues, Expenses, and Change in Net Position focuses on the costs of District operational activities (which are supported mainly by the SB 361 Funding described below). This approach is intended to summarize and simplify the user's analysis of the cost of various services to students and to the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District. The financial statements also include notes that provide further detail and explanation of select data. The statements are followed by a section of required supplementary information that further supports the financial statements.

The following discussion and analysis provides an overview of the District's financial activity.

FINANCIAL HIGHLIGHTS

- The District's primary funding source is from the State of California, pursuant to the funding provisions of SB 361, as incorporated in the interim regulations of Title 5 of the California Code of Regulations, Sections 58770, and provisions of Item 6870-101-0001 of the Budget Act of 2006. SB 361 funding is comprised of state apportionment, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). The actual credit FTES were 15,689 and non-credit FTES were 172 for total FTES of 15,861 as reported on the annual attendance report. The funded FTES for the District were 15,861, no unfunded FTES due to borrowing from Summer 2015.
- The District's unrestricted general fund revenue increased by a net \$3.0 million. FTES workload restoration resulted in an increase to base funding of approximately \$2.0 million.. Additionally, the District received a small COLA (.85%) totaling approximately \$700,000 only partially offsets required annual salary and benefit increases as well as \$300,000 in other revenues. The District's funded resident base FTES was increased from 15,460 FTES to 15,861 FTES after the workload restoration was applied.

- The District maintained reserve levels and posted a slight increase over prior year, and ended with an unrestricted general fund balance of \$10.6 million. The California Community Colleges Chancellor's Office suggests minimum reserve levels of five percent of expenditures be set aside for economic uncertainties. The District's Board policy maintains this suggested level, but strives to improve the reserve level past the five percent threshold whenever possible, especially in these times of funding uncertainty. The 2014-15 ending fund balance was 12.5% of total expenditures.
- The majority of expenditures, across all funds of the District, are salaries and benefits of academic, classified, and administrative employees. The unrestricted general fund costs increased in the 2014-15 fiscal year by a net \$3.7 million. The salaries were comparable year-over-year with the main source of the increase related to class/comp study, step/column increases, and an increase in health benefits costs.
- The District provides student financial aid to qualifying students of the District. During the fiscal year, approximately \$28.9 million in direct grants were provided to students. Enrollment fee waivers and other discounts granted to students totaled \$14.5 million. Additional student support in the form of childcare, books and supplies, transportation and cash grants were also provided through special program funding to socioeconomically disadvantaged students.
- Measure L General Obligation bond program completed its tenth year with cumulative capital expenditures of \$222.3 million. Progress was made on a number of projects during the 2014-15 fiscal year. Completion of the following projects occurred; the, Campus Restroom Renovation, and the Budd Remediation (Title IX) projects. Also, there are several ongoing projects which includes additional phases to the Shima Heavy Equipment project, as well the Holt/Budd Shop Renovation project.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed financial information is as follows:

NET POSITION
AS OF JUNE 30, 2015
(in thousands)

ASSETS	2015	2014	Change	% Change
Current Assets				
Cash, investments and short-term receivables	36,271	37,142	-871	-2.35%
Inventory and other assets	633	596	37	6.25%
Total Current Assets	36,904	37,738	-834	-2.21%
Noncurrent Assets				
Other noncurrent Assets	67,881	38,734	29,147	75.25%
Capital Assets (net of depreciation)	257,011	246,157	10,854	4.41%
Total Non Current Assets	324,893	284,891	40,002	14.04%
Total Assets	361,797	322,629	39,168	12.14%
Deferred Outflow of Resources (GASB 68)	5,394	4,539	855	18.84%
Total Assets & Deferred Outflows	367,190	327,168	40,023	12.23%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	14,359	18,166	-3,807	-20.96%
Unearned revenue	5,730	2,756	2,974	107.93%
Amounts held in trust for others	341	2,706	-2,365	-87.41%
Current portion of long-term obligations	20,150	17,137	3,013	17.58%
Total Current Liabilities	40,580	40,765	-186	-0.46%
Long-Term Obligations	280,794	264,046	16,748	6.34%
Total Liabilities	321,374	304,811	16,563	5.43%
Deferred Inflows of Resources	16,226			
NET POSITION				
Net investment in capital assets	68,625	64,951	3,674	5.66%
Restricted for capital projects and debt service	32,226	26,716	5,511	20.63%
Restricted for other special purposes	1,559	1,719	-160	-9.30%
Unrestricted	-72,820	-71,028	-1,791	-2.52%
Total Net Position	29,590	22,357	7,234	32.36%
Total Liabilities, Deferred Inflows and Net Position	367,190	327,168	40,023	12.23%

This schedule has been prepared from the District's Statement of Net Position (page 11), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Cash investments and short-term receivables consist primarily of funds held at various financial institutions and in the San Joaquin County Treasury. The changes in the cash position are highlighted in the Statement of Cash Flows (page 15). The District's cash position increased over prior year.

Capital assets are reflected at the historical value (original costs) of land, buildings, construction in progress, and equipment, less accumulated depreciation. Total additions, net of deletions and depreciation, amounted to \$10.9 million and resulted primarily from the Measure L Bond program. Many of the unrestricted assets have been designated by the Board or by contracts for such purposes as federal and state grants, outstanding commitments on construction contracts and general reserves for the ongoing financial health of the District. Long-term obligations consist of the 2004 General Obligation Bonds, Series 2005 A, Series 2008 B, Series 2014 C, and the 2006 General Obligation Refunding Bonds.

OPERATING RESULTS
FOR THE YEAR ENDED JUNE 30, 2015
(in thousands)

	2015	2014	Change	% Change
Operating Revenues				
Tuition and fees	6,081	5,735	346	6.04%
Grants and contracts	26,004	24,152	1,853	7.67%
Auxiliary enterprise sales and charges	7,078	7,598	-520	-6.84%
Total Operating Revenues	<u>39,164</u>	<u>37,485</u>	<u>1,679</u>	<u>4.48%</u>
Operating Expenses				
Salaries and benefits	84,938	80,868	4,070	5.03%
Supplies and maintenance	57,950	59,036	-1,085	-1.84%
Depreciation	10,421	8,986	1,435	15.97%
Total Operating Expenses	<u>153,310</u>	<u>148,890</u>	<u>4,420</u>	<u>2.97%</u>
Loss on Operations	<u>-114,145</u>	<u>-111,405</u>	<u>-2,740</u>	<u>-2.46%</u>
Non-operating Revenue and (Expenses)				
State apportionments	50,228	48,403	1,825	3.77%
Property taxes	26,524	24,545	1,980	8.07%
State revenues	236	250	-14	-5.57%
Pell grants	28,946	28,799	147	0.51%
Interest income	185	0	185	0.00%
Interest expense	-7,690	-9,268	1,578	17.03%
Gain(Loss) on Disposal of Assets	0	0	0	0.00%
Special items	0	-6,058	6,058	100.00%
Other non-operating revenue	6,011	5,313	699	13.15%
Total Non-operating Revenue	<u>104,441</u>	<u>91,983</u>	<u>12,458</u>	<u>13.54%</u>
Other Revenues				
State, capital income	249	185	64	34.32%
Local revenues, capital	16,689	13,489	3,200	23.72%
Total Other Revenues	<u>16,938</u>	<u>13,675</u>	<u>3,264</u>	<u>23.87%</u>
Net Decrease in Net Position	<u>7,234</u>	<u>-5,747</u>	<u>12,981</u>	<u>225.86%</u>

This schedule has been prepared from the Statement of Revenues, Expenses and Change in Net Position presented on page 13.

Operating revenues and expenses consist of student fees, contract activity, and student financial aid, as well as specific federal and state grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs. A majority of the operating expenses increase comes from salaries and benefits, totaling \$4.1 million. The nearly \$1.9 million operating revenue increase was related to additional funding awards in grants and contracts, including Disabled Students Programs/Services, Extended Opportunity Programs/Services, workload restoration from student success and state mandate payments resulting in an increase during fiscal year 2014-15.

Non-operating revenue and expenses sources are non-student related such as state general apportionment and local property tax activity which are two of the three components of the District's unrestricted general fund revenue for operations. Interest income is primarily the result of cash held with the San Joaquin County Treasurer. The interest expense relates to interest on debt and notes payable. The net increase in non-operating revenue of \$12.5 million is primarily due to increased State Apportionment, Property Tax, prior year Special Items and Other Local Non-operating Revenue. The change in property tax revenue was related to the slight increase in local property value and taxes related to the state's continued dissolution of redevelopment agencies. The detail of the changes in capital assets for the year is included in the notes to the financial statement as Note 4.

Other revenue is related to state capital reimbursement revenue and local property tax levied for the capital bond program. Capital revenue increased by a net \$3.3 million with most of the change due to required property taxes levied to service the debt for the bond program.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(in thousands)

Cash Provided by (Used in)	2015	2014	Change	% Change
Operating activities	-102,533	-96,226	-6,307	-6.55%
Noncapital financing activities	121,553	106,496	15,057	14.14%
Capital financing activities	16,850	-20,510	37,360	182.16%
Investing activities			0	0.00%
Net Increase (Decrease) in Cash	35,870	-10,239	46,110	450.32%
Cash, Beginning of Year	57,394	67,633	-10,239	-15.14%
Cash, End of Year	93,264	57,394	35,870	62.50%

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

The primary operating receipts are student tuition and fees, federal and state grants, and contracts. The primary operating use of cash is the payment of salaries and benefits to instructional and non-instructional staff.

Non-operating sources consist of state apportionment and property taxes and are the primary components of noncapital related revenue. However, GASB accounting standards require that this source of revenue is shown as non-operating revenue as it comes from the general resources of the State and not from the primary users of the college's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

The capital financing activities predominantly relate to the District's Measure L Bond program projects activity, and the related taxes levied to service the debt.

2015-16 FACTORS AFFECTING THE FUTURE OF SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

The District's 2015-16 unrestricted general fund budget was based upon the following assumptions when it was adopted in September 2015.

- The budget assumes FTES revenue growth targeted at 3.0% which is slightly lower than the Governor's May Revise Budget Proposal of 3.95%. The FTES funding growth translates to an on-going revenue increase of \$2.2M, a 1.02% COLA at \$833k, base allocation increase at \$3.8M, and revenue to fund full-time faculty at \$860k for a total revenue increase of \$7.1M.
- The 2015-16 FTES scheduling target is 16,636. This assumes a 3.0% workload growth of approximately 476 FTES and a funded FTES resident target of 16,336. The difference between the total FTES scheduling target of 16,636 and the funded resident target of 16,336 is non-resident and apprenticeship FTES which are funded separately.
- The General Fund budget reflects 10 additional faculty (7 new positions and 3 moving from grant funds to General Fund) positions funded by the unrestricted general fund and augmented by additional full-time faculty revenue from the State. The budget includes an increase of \$1.35M (in addition to the \$600k added in PY) to the part-time faculty budget to achieve the FTES target in 2015-16. The additional positions meet the District's FON state compliance requirement.
- The 2015-16 budget includes \$600k from new on-going revenue to support District's strategic goals and program review resource requests. An additional \$575k will be allocated towards increasing enrollment efforts to attract and retain more students.
- The 2015-16 budget also includes an additional allocation of \$1.1M in allocation based on future outcomes and \$1.2M in a stability reserves. These funds are contingent upon sustained enrollment growth. Currently, the District is only capturing growth revenue by borrowing FTES rather than generating actual FTES growth. These funds will be allocated to temporary or one-time expenditures or may be added to a specially designated reserve for economic uncertainties fund. Sustained enrollment growth would secure these funds on an ongoing basis. However, stability or decline would require budget reductions, these funds would be the first to be eliminated as they are not obligated to on-going expenditures.
- All categorical and auxiliary programs are expected to be self-supporting, aside from required General Fund match.
- The District will maintain a prudent reserve of at least 5% consistent with Chancellor's Office and ACCJC recommended fiscal standards.

The budget reflects over \$12 million of unprecedented new one-time funding budgeted mostly in Capital Fund along with other Funds to support one-time projects consistent with budget guiding principles. The sources of the new one-time funding are from state mandated reimbursement, state scheduled maintenance, instructional capital outlay, Prop 39 energy, redevelopment agency residual funds, parking and one-time transfers from unrestricted general fund. The District has tremendous unmet needs in the facilities, maintenance, campus improvements and technology areas. There are several projects and efforts underway to address these needs with prior years' one-time funds. Current year additional funding will also allow substantial strategic reinvestments to enhance the student and staff experience that will hopefully translate into increased enrollment and retention while supporting student success.

The District remains cautiously optimistic about its' ability to generate the required FTES to meet target and recognize that in the near future, a decline to base FTES and stability may be required. This long-term planning approach will protect core service until

FTES growth has returned to sustainable levels. In the interim, the District is committed to its' mission and continuing to provide high-quality education to its' students. Additionally, there is dedication to improving student experience through leveraging available resources to provide excellent student support, a welcoming campus environment, and better learning tools to ensure their success.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, 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 questions about this report or need any additional financial information, contact District Fiscal Services – San Joaquin Delta Community College District at 5151 Pacific Avenue, Stockton, California 95207 or visit the District's website for financial and budget information at <http://www.deltacollege.edu/dept/business/budget/index.html>.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Current assets:	
Cash and investments	\$ 25,382,793
Receivables	8,648,152
Notes receivable	2,240,000
Stores inventory	617,646
Prepaid expenses	<u>15,258</u>
Total current assets	<u>36,903,849</u>
Noncurrent assets:	
Restricted cash and investments	67,881,445
Non-depreciable capital assets	137,788,364
Depreciable capital assets, net	<u>119,223,014</u>
Total noncurrent assets	<u>324,892,823</u>
Total assets	<u>361,796,672</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred outflow of resources - pensions	<u>5,393,597</u>
Total assets and deferred outflow of resources	<u>\$ 367,190,269</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 9,701,971
Unearned revenue	5,729,756
Claims liability	4,657,000
Due to other funds	340,804
Compensated absences payable	2,569,958
Premium on general obligation bonds - current portion	2,311,595
Long-term liabilities - current portion	<u>15,268,508</u>
Total current liabilities	<u>40,579,592</u>
Noncurrent liabilities:	
Premium on general obligation bonds - noncurrent portion	8,168,993
Long-term liabilities - noncurrent portion	<u>272,625,138</u>
Total noncurrent liabilities	<u>280,794,131</u>
Total liabilities	<u>321,373,723</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources - pensions	<u>16,226,250</u>
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NET POSITION

Net investment in capital assets	68,624,969
Restricted for capital projects and debt service	32,226,326
Restricted for other special purposes	1,558,733
Unrestricted	<u>(72,819,732)</u>
Total net position	<u>29,590,296</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 367,190,269</u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT -
DELTA COLLEGE FOUNDATION
(A Nonprofit Organization)**

STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS

Cash	\$	3,084,381
Investments		4,224,737
Investments related to split interest agreements		51,907
Accounts receivable		851
Due from the District		<u>511,490</u>
Total assets	\$	<u><u>7,873,366</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$	2,577,736
Liability under split interest agreement		<u>12,412</u>
Total liabilities		<u>2,590,148</u>

NET ASSETS

Net assets:		
Unrestricted		71,583
Temporarily restricted		<u>5,211,635</u>
Total net assets		<u>5,283,218</u>
Total liabilities and net assets	\$	<u><u>7,873,366</u></u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2015

Operating revenues:	
Tuition and fees	\$ 20,638,843
Less: Scholarship discounts and allowances	<u>(14,557,547)</u>
Net tuition and fees	<u>6,081,296</u>
Grants and contracts, non-capital:	
Federal	7,714,304
State	18,290,108
Auxiliary enterprise sales and charges	<u>7,078,362</u>
Total operating revenues	39,164,070
Operating expenses:	
Salaries and benefits	84,938,217
Supplies, materials, and other operating expenses and services	56,131,297
Equipment, maintenance and repairs	1,818,948
Depreciation	<u>10,421,062</u>
Total operating expenses	<u>153,309,524</u>
Loss from operations	<u>(114,145,454)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	50,227,758
Local property taxes	26,524,276
State taxes and other revenues	236,060
Pell grants	28,945,743
Investment income, non-capital	185,197
Interest expense, net	(7,689,687)
Other non-operating revenues	<u>6,011,282</u>
Total non-operating revenues (expenses)	<u>104,440,629</u>
Loss before capital revenues	<u>(9,704,825)</u>
Capital revenues:	
State grants, capital	249,132
Local property taxes and revenues	<u>16,689,350</u>
Total capital revenues	<u>16,938,482</u>
Change in net position	<u>7,233,657</u>
Net position, July 1, 2014	89,808,937
Cumulative effect of GASB 68 implementation	<u>(67,452,298)</u>
Net position, July 1, 2014, as restated	<u>22,356,639</u>
Net position, June 30, 2015	<u><u>\$ 29,590,296</u></u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT -
DELTA COLLEGE FOUNDATION
(A Nonprofit Organization)**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 280	\$ 115,937	\$ 116,217
Fundraising	-	115,279	115,279
Program service revenues	-	346,867	346,867
Interest and dividend income	-	125,960	125,960
Realized and unrealized losses on investments	-	(2,532)	(2,532)
Transfers (Net)	-	421,096	421,096
Other Income	-	4,667	4,667
Net assets released from restrictions	<u>1,155,365</u>	<u>(1,155,365)</u>	<u>-</u>
 Total revenues	 <u>1,155,645</u>	 <u>(28,091)</u>	 <u>1,127,554</u>
Expenses:			
Student fees	604,386	-	604,386
Program expenses	463,474	-	463,474
Fundraising expenses	200	-	200
Operating expenses	<u>94,719</u>	<u>-</u>	<u>94,719</u>
 Total expenses	 <u>1,162,779</u>	 <u>-</u>	 <u>1,162,779</u>
 Decrease in net assets	 <u>(7,134)</u>	 <u>(28,091)</u>	 <u>(35,225)</u>
 Net assets, July 1, 2014	 <u>78,717</u>	 <u>5,239,726</u>	 <u>5,318,443</u>
 Net assets, June 30, 2015	 <u>\$ 71,583</u>	 <u>\$ 5,211,635</u>	 <u>\$ 5,283,218</u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

Cash flows from operating activities:	
Tuition and fees	\$ 6,311,378
Federal grants and contracts	8,569,032
State grants and contracts	17,630,170
Payments to employees	(81,734,254)
Payments to suppliers and vendors	(20,598,363)
Payments to students	(39,802,682)
Auxiliary enterprises sales and charges	<u>7,092,188</u>
Net cash used in operating activities	<u>(102,532,531)</u>
Cash flows from noncapital financing activities:	
State appropriations	60,310,742
Local property taxes	26,326,812
State taxes and other revenues	236,060
Pell grants	28,945,743
Proceeds from issuance of Tax and Revenue Anticipation Notes	9,000,000
Repayment of Tax and Revenue Anticipation Notes	(9,000,000)
Other payments	<u>5,733,727</u>
Net cash provided by noncapital financing activities	<u>121,553,084</u>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	35,000,000
State apportionments for capital purposes	249,132
Purchase of capital assets	(16,173,711)
Construction litigation expense	(4,000,000)
Principal paid on capital debt	(7,679,464)
Interest on capital debt, net	(7,235,368)
Local revenue for capital purposes	<u>16,689,350</u>
Net cash used in capital and related financing activities	<u>16,849,939</u>
Net decrease in cash and investments	35,870,492
Cash and investments, July 1, 2014	<u>57,393,746</u>
Cash and investments, June 30, 2015	<u>\$ 93,264,238</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

(Continued)

For the Year Ended June 30, 2015

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (114,145,454)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	10,421,062
Changes in assets and liabilities:	
Receivables, net	(671,594)
Prepays	(9,580)
Inventories	(27,650)
Deferred outflow of resources - pensions	(854,895)
Accounts payable	(521,317)
Due to other funds	(2,365,079)
Unearned revenue	3,348,608
Claims liability	(400,000)
Compensated absences	259,881
Post employment benefits	2,064,237
Net pension liability	(15,857,000)
Deferred inflow of resources - pensions	<u>16,226,250</u>
Net cash used in operating activities	<u>\$ (102,532,531)</u>
Supplementary disclosure of non-cash transactions:	
Amortization of bond premiums	\$ 2,466,456

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	<u>Student Trust Funds</u>	<u>Associated Student Agency Fund</u>
ASSETS		
Cash and investments	\$ 2,669,052	\$ 84,773
Due from district	<u>7,886</u>	<u>-</u>
Total assets	<u><u>\$ 2,676,938</u></u>	<u><u>\$ 84,773</u></u>
LIABILITIES		
Accounts payable	\$ 5,484	\$ 2,120
Due to district	168,798	10,086
Unearned revenue	6,380	-
Amounts held for others	<u>-</u>	<u>72,567</u>
Total liabilities	<u>180,662</u>	<u>84,773</u>
NET POSITION		
Restricted net position held in trust	<u>2,496,276</u>	<u>-</u>
Total liabilities and net position	<u><u>\$ 2,676,938</u></u>	<u><u>\$ 84,773</u></u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2015

	<u>Student Trust Funds</u>
Additions:	
Contributions	\$ 274,619
Sales income	2,029
Student fees	<u>148,322</u>
Total additions	<u>424,970</u>
Deductions:	
Supplies and materials	21,425
Other operating expenses and services	71,177
Equipment, maintenance and repairs	2,416
Student awards and scholarships	<u>339,940</u>
Total deductions	<u>434,958</u>
Excess of deductions over additions	<u>(9,988)</u>
Net position held in trust:	
Net position, July 1, 2014	<u>2,506,264</u>
Net position, June 30, 2015	<u><u>\$ 2,496,276</u></u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

San Joaquin Delta Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified Delta College Foundation (the "Foundation") as its potential component unit.

The Foundation is a nonprofit, tax-exempt organization dedicated to providing financial benefits generated from fundraising efforts and investments earnings to the District. The funds contributed by the Foundation to the District are significant to the District's financial statements. The District applied the criteria for identifying component units in accordance with GASB Cod. Sec. 2100 and therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's financial statements. Copies of the Foundation's annual financial report may be obtained from the District Office, 5151 Pacific Avenue, Stockton, California, 95207.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. 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 the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trustee are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Foundation's financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. Classification of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Financial Position as unrestricted or temporarily restricted net assets based on the absence or existence of donor-imposed restrictions.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the San Joaquin County Treasury are considered cash equivalents and are stated at fair value.

Restricted Cash

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as a noncurrent asset in the Statement of Net Position.

Fair Value of Investments

The Foundation's investments are valued at fair value based upon quoted market prices, when available, or estimates of fair value in the Statement of Financial Position and unrealized and realized gains and losses are included in the Statement of Activities.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. There was no allowance recorded for the year ended June 30, 2015.

Inventory

Inventory consists of stores supplies, cafeteria food, textbooks and educational supplies. Except for bookstore inventories, which are valued using the retail method, inventories are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 – 50 years depending on asset type.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest capitalized and interest expense totaled \$5,101,805 and \$7,689,687, respectively, during the year ended June 30, 2015.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due to Other Funds

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 2,732,280	\$ 2,661,317	\$ 5,393,597
Deferred inflows of resources	<u>\$ 8,439,000</u>	<u>\$ 7,787,250</u>	<u>\$ 16,226,250</u>
Net pension liability	<u>\$ 34,272,000</u>	<u>\$ 21,862,000</u>	<u>\$ 56,134,000</u>
Pension expense	<u>\$ 4,735,069</u>	<u>\$ 1,847,883</u>	<u>\$ 6,582,952</u>

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.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and PERS employees, when the employee retires.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Revenues from Federal, State and local special projects and programs are recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Net Position

The District's net position is classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal. At June 30, 2015 there is no balance of nonexpendable restricted net position.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District typically first applies the expense toward restricted resources, then to unrestricted resources.

The Foundation's net assets are classified as follows:

Unrestricted: Unrestricted net assets consist of all resources of the Foundation, which have not been specifically restricted by a donor.

Temporarily restricted: Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Risk Management

As more fully described in Note 9, the District is partially self-insured with regard to liability and workers' compensation claims. The amount of the outstanding liability at June 30, 2015 for liability and workers' compensation claims includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases which occurred through that date. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as an accounts and claims payable liability and the balance of the estimated liability is reflected as a current liability.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Prior year corrections due to a recalculation will be recorded in the year completed by the state. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Classification of Revenue and Expenses

The District has classified its revenues and expenses as either operating or nonoperating revenues and expenses. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt and the cancellation of construction in progress previously capitalized.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt and the cancellation of construction in progress previously capitalized are the only nonoperating expenses.

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period ending June 30, 2015. Based on the implementation of Statement No. 68, the District's July 1, 2014 net position was restated by \$67,452,298 because of the recognition of the net pension liability and deferred outflow of resources.

In November 2013, the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the statement of net position.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of Statements No. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2015, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 18,568,543	\$ 2,738,825
Deposits:		
Cash on hand and in banks	991,511	-
Cash in revolving account	5,822,739	-
Cash held by Fiscal Agent	<u>67,881,445</u>	<u>-</u>
Total cash	<u>93,264,238</u>	<u>2,738,825</u>
Less: restricted cash:		
Cash held by Fiscal Agent	67,881,445	-
Cash held in trust	<u>-</u>	<u>2,738,825</u>
Total restricted cash	<u>67,881,445</u>	<u>2,738,825</u>
Net cash	<u>\$ 25,382,793</u>	<u>\$ -</u>
Investments	<u>\$ -</u>	<u>\$ 15,000</u>

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Joaquin County Treasury. The County pools and invests the cash. Those pooled funds are carried at fair value, which approximates cost.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The San Joaquin County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2015.

Foundation cash at June 30, 2015 consisted of the following:

Cash in banks and with brokers	\$ 125,438
Cash in County Treasury	<u>2,958,943</u>
Total cash and cash equivalents	<u>\$ 3,084,381</u>

Foundation investments at June 30, 2015 consisted of the following:

Equity securities	\$ 3,572,884
Corporate bonds	498,240
U.S. Government obligations	153,041
Municipal securities	<u>572</u>
Total investments	<u>\$ 4,224,737</u>

Cash with Fiscal Agent

Cash with Fiscal Agent of \$67,881,445 is held by a trustee for the improvement of campus facilities and debt service.

Custodial Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2015, the carrying amount of the District's cash held in banks was \$6,763,122, and the bank balances were \$6,807,507 of which \$500,000 was insured by the FDIC.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The Foundation maintains substantially all of its cash in banks and are insured up to \$250,000 by the FDIC. At June 30, 2015, the carrying amount and bank balance of the Foundation's cash in banks was \$125,438, all of which was insured.

Credit Risk

Under provision of the District and Foundation's policies and in accordance with Sections 53601 and 53602 of the California Government code, the District and Foundation may invest in the following types of investments:

- Local agency bonds, notes or warrants within the state
- Securities of the U.S. Government or its agencies
- Certificates of Deposit with commercial banks
- Commercial paper
- Repurchase Agreements

Interest Rate Risk

The District and Foundation's investment policies do not limit cash and investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. At June 30, 2015, the District and Foundation had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk

The District and Foundation do not place limits on the amount they may invest in any one issuer. At June 30, 2015, the District and Foundation had no concentration of credit risk.

Foundation Investments

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2015, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 - Quoted market prices for identical instruments traded in active exchange markets.

Level 2 - Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Foundation Investments (Continued)

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate equity securities	\$ 3,572,884	\$ 3,572,884	\$ -	\$ -
Corporate debt securities	498,240	-	498,240	-
US Government obligations	153,041	-	153,041	-
Municipal securities	572	-	572	-
Investments under split interest agreements	<u>51,907</u>	<u>-</u>	<u>51,907</u>	<u>-</u>
Total	<u>\$ 4,276,644</u>	<u>\$ 3,572,884</u>	<u>\$ 703,760</u>	<u>\$ -</u>

There were no changes in the valuation techniques used during the year ended June 30, 2015.

Fair values for corporate equity securities and municipal securities are based on quoted market prices in active markets for identical assets that the Foundation has the ability to access.

Fixed-maturity securities include corporate debt securities, preferred bonds, and U.S. government securities. The fair value of fixed maturity securities are obtained from similar instruments in inactive markets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation had no recurring liabilities at June 30, 2015, which were required to be disclosed using the fair value hierarchy.

The Foundation had no non recurring assets or liabilities at June 30, 2015, which were required to be disclosed using the fair value hierarchy.

The Foundation's split-interest agreements consist of trusts for which the Foundation serves as both trustee and beneficiary. Assets invested under these trusts and payments made to beneficiaries are based on the terms of the trust agreements. As of June 30, 2015, assets held in trust under split-interest agreements totaled \$51,907 and the associated liability to beneficiaries totaled \$12,412.

3. RECEIVABLES

Receivables at June 30, 2015 are summarized as follows:

Federal	\$ 1,126,292
State	5,601,936
Local and other	<u>1,919,924</u>
	<u>\$ 8,648,152</u>

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance June 30, <u>2015</u>
Non-depreciable:					
Land	\$ 8,892,974	\$ -	\$ -	\$ -	\$ 8,892,974
Construction in progress	124,651,073	20,046,056	-	(15,801,739)	128,895,390
Depreciable:					
Building improvements	195,925,362	-	-	15,801,739	211,727,101
Machinery and equipment	21,098,131	1,229,460	(336,276)	-	21,991,315
Works of art	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Total	<u>350,573,540</u>	<u>21,275,516</u>	<u>(336,276)</u>	<u>-</u>	<u>371,512,780</u>
Less accumulated depreciation:					
Building improvements	(88,862,200)	(8,989,890)	-	-	(97,852,090)
Machinery and equipment	<u>(15,554,416)</u>	<u>(1,431,172)</u>	<u>336,276</u>	<u>-</u>	<u>(16,649,312)</u>
Total	<u>(104,416,616)</u>	<u>(10,421,062)</u>	<u>336,276</u>	<u>-</u>	<u>(114,501,402)</u>
Capital assets, net	<u>\$ 246,156,924</u>	<u>\$ 10,854,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,011,378</u>

5. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	\$ 4,525,821
Unearned tuition and student fees	796,639
Unearned local grant revenue and other	<u>407,296</u>
Total unearned revenue	<u>\$ 5,729,756</u>

6. TAX AND REVENUE ANTICIPATION NOTES (TRANS)

Tax and Revenue Anticipation Notes ("TRANS") are short-term debt instruments, which are general obligations of the District and are payable solely from revenues and cash receipts generated by the District. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. On July 16, 2014, the District issued \$9,000,000 of TRANS, with interest at 2.0% to provide for cash flow deficits during the fiscal year. The TRANS matured and were repaid on June 30, 2015.

7. LONG-TERM LIABILITIES

General Obligation Bonds

During February 2005, the District issued the 2004 General Obligation Bonds in the amount of \$90,000,000. The bonds are being used to finance the acquisition, construction and modernization of certain District property and facilities. Proceeds from the bonds were also used to advance refund the 1995 and 2003 certificates of participation and to prepay the outstanding principal on the energy service contract lease agreement. The bonds mature beginning on August 1, 2007 through August 1, 2029, with interest yields ranging from 2.25 to 4.13 percent. At June 30, 2015, the principal outstanding was \$9,430,000 and unamortized premium was \$3,105,723. Premium cost is amortized over the life of the bonds.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 General Obligation Bonds outstanding as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,145,000	\$ 368,250	\$ 3,513,250
2017	335,000	292,413	627,413
2018	345,000	275,413	620,413
2019	355,000	258,413	613,413
2020	370,000	241,250	611,250
2021-2025	2,130,000	928,013	3,058,013
2026-2030	<u>2,750,000</u>	<u>346,304</u>	<u>3,096,304</u>
	<u>\$ 9,430,000</u>	<u>\$ 2,710,056</u>	<u>\$ 12,140,056</u>

During June 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$57,922,710 to advance refund a portion of the 2004 General Obligation Bonds. At June 30, 2015, \$51,480,000 of bonds outstanding are considered defeased. The bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting \$41,027,290, and an aggregate principal debt service balance of \$98,950,000. The bonds mature beginning on August 1, 2006 through August 1, 2017, with interest yields ranging from 3.68 to 4.58 percent. At June 30, 2015, the principal outstanding was \$13,072,845 and the unamortized premium was \$2,006,327. Premium cost is amortized over the life of the bond.

The annual payments required to amortize the 2006 General Obligation Refunding Bonds outstanding as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,837,042	\$ 5,797,958	\$ 9,635,000
2017	4,636,414	8,243,586	12,880,000
2018	<u>4,599,389</u>	<u>9,535,611</u>	<u>14,135,000</u>
	<u>\$ 13,072,845</u>	<u>\$ 23,577,155</u>	<u>\$ 36,650,000</u>

During July 2008, the District issued the 2004 General Obligation Bonds, Series 2008 B, in the amount of \$92,000,582. The bonds are being used to finance the acquisition, construction and modernization of certain District property and facilities. The bonds were issued as current interest bonds, with a value of \$5,455,000, and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$137,189,418, and an aggregate principal debt service balance of \$223,735,000. The bonds mature beginning on August 1, 2011 through August 1, 2032, with interest yields ranging from 3.00 to 8.70 percent. At June 30, 2015, the principal outstanding was \$87,935,582 and unamortized premium was \$2,353,011. Premium cost is amortized over the life of the bonds.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 General Obligation Bonds, Series 2008 B outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 450,000	\$ 49,400	\$ 499,400
2017	660,000	27,200	687,200
2018	280,000	7,497,470	7,777,470
2019	5,509,530	5,827,086	11,336,616
2020	7,897,914	6,574,689	14,472,603
2021-2025	34,146,221	31,804,090	65,950,311
2026-2030	26,668,737	51,131,264	77,800,001
2031-2033	<u>12,323,180</u>	<u>34,361,819</u>	<u>46,684,999</u>
	<u>\$ 87,935,582</u>	<u>\$ 137,273,018</u>	<u>\$ 225,208,600</u>

During August 2014, the District issued the 2004 General Obligation Bonds, Series 2014 C, in the amount of \$35,000,000. The bonds are being used to finance the acquisition, construction and modernization of certain District property and facilities. The bonds mature beginning on August 1, 2015 through August 1, 2039, with interest yields ranging from 1.00 to 5.00 percent. At June 30, 2015, the principal outstanding was \$35,000,000 and unamortized premium was \$3,015,527. Premium cost is amortized over the life of the bonds.

The annual payments required to amortize the 2004 General Obligation Bonds, Series 2014 C, outstanding as of June 30, 2015, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,400,000	\$ 1,518,156	\$ 4,918,156
2017	1,750,000	1,483,656	3,233,656
2018	-	1,466,156	1,466,156
2019	-	1,466,156	1,466,156
2020	-	1,466,156	1,466,156
2021-2025	-	7,330,781	7,330,781
2026-2030	-	7,330,781	7,330,781
2031-2035	10,345,000	6,507,736	16,852,736
2036-2040	<u>19,505,000</u>	<u>2,533,875</u>	<u>22,038,875</u>
	<u>\$ 35,000,000</u>	<u>\$ 31,103,453</u>	<u>\$ 66,103,453</u>

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

A schedule of changes in long-term debt for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014 <u>as restated</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2015	Amounts Due Within <u>One Year</u>
General Obligation Bonds	\$ 118,117,891	\$ 35,000,000	\$ (7,679,464)	\$ 145,438,427	\$ 10,832,042
Premium on General Obligation Bonds	9,878,182	3,068,862	(2,466,456)	10,480,588	2,311,595
Compensated absences	2,310,077	2,380,161	(2,120,280)	2,569,958	2,569,958
Net OPEB (Note 12)	22,420,985	6,941,334	(4,877,097)	24,485,222	-
Net pension liability (Note 10 and 11)	71,991,000	-	(15,857,000)	56,134,000	-
Accreted interest	<u>56,465,070</u>	<u>10,341,463</u>	<u>(4,970,536)</u>	<u>61,835,997</u>	<u>4,436,466</u>
	<u>\$ 281,183,205</u>	<u>\$ 57,731,820</u>	<u>\$ (37,970,833)</u>	<u>\$ 300,944,192</u>	<u>\$ 20,150,061</u>

8. PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessors of the following Counties: San Joaquin, Alameda, Sacramento, Calaveras, and Solano, and are paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

Property taxes collected for the purpose of repayment of voter approved General Obligation Bond debt are restricted in the District's Bond Interest and Redemption Fund.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for its general liability and auto liability. The District has chosen to establish a risk financing internal service fund where assets are set aside for claim settlements associated with the above risks of loss up to certain limits.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. RISK MANAGEMENT (Continued)

The District is responsible for claims less than \$100,000 for property and \$150,000 for liability claims, with excess coverage is provided by the Statewide Association of Community Colleges (SWACC). SWACC is a joint powers authority (JPA) created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-funded excess liability fund for public educational agencies which are parties thereto. In addition, the District has excess coverage beyond SWACC through the Schools Association of Excess Risk (SAFER) which provides up to \$250,000,000 for property coverage and up to \$50,000,000 for liability claims. Should excess liability claims exceed amounts covered by SWACC and SAFER, the District may be required to provide additional funding. Amounts of additional funding cannot be determined although District management does not expect such amounts, if any, to be material in relation to the financial statements.

Prior to July 1, 2014, the District was self-insured for workers' compensation losses. During the time, the District was responsible for claims up to \$500,000 and greater than \$25,000,000. Claims in excess of the \$500,000 self-insurance limit were funded through Schools Alliance for Workers' Compensation Excess (SAWCX II) until June 30, 2014. On July 1, 2014, the District joined the Protected Insurance Program for Schools (PIPS), a JPA which provides reinsurance coverage for workers compensation claims up to \$155,000,000, with no member deductible. The District contracted with third party administrator, Keenan & Associates, to manage workers' compensation claims.

The claims liability activity for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>		<u>2014</u>
Liability balance, beginning of year	\$ 9,057,000	\$	5,009,019
Claims and changes in estimates	1,616,217		4,937,998
Litigation and claim settlements	<u>(6,016,217)</u>		<u>(890,017)</u>
Liability balance, end of year	<u>\$ 4,657,000</u>	\$	<u>9,057,000</u>

Litigation and claim settlements during the year ended June 30, 2015 include a settled claim in the amount of \$4,000,000 in relation to construction contracts. The amount was accrued for as of June 30, 2014.

10. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description

Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Benefits Provided

The STRP Defined Benefit Program has two benefit formulas:

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

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

The CalSTRS member contribution rate increases effective for fiscal year 2014-15 and beyond are summarized in the table below:

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

10. NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

General Information about the State Teachers’ Retirement Plan (Continued)

Contributions (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$2,732,280 to the plan for the fiscal year ended June 30, 2015.

State – 5.954 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-47.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

10. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

General Information about the State Teachers' Retirement Plan (Continued)

Contributions (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2015, 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:

District's proportionate share of the net pension liability	\$ 34,272,000
State's proportionate share of the net pension liability associated with the District	<u>20,695,000</u>
Total	<u>\$ 54,967,000</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.059 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

10. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$4,735,069 and revenue of \$1,766,000 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	8,439,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>2,732,280</u>	<u>-</u>
Total	<u>\$ 2,732,280</u>	<u>\$ 8,439,000</u>

\$2,732,280 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 2,109,750
2017	\$ 2,109,750
2018	\$ 2,109,750
2019	\$ 2,109,750

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

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 as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash / Liquidity	1%	0.00%

* 10-year geometric average

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

10. NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	<u>\$ 53,421,000</u>	<u>\$ 34,272,000</u>	<u>\$ 18,305,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

11. NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description

The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf>.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

General Information about the Public Employer’s Retirement Fund B (Continued)

Benefits Provided

The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers – The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$2,661,317 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$21,862,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District’s proportion was 0.178 percent, which was an decrease of 0.005 percent from its proportion measured as of June 30, 2013.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$1,847,883. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	7,152,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	635,250
Contributions made subsequent to measurement date	<u>2,661,317</u>	<u>-</u>
Total	<u>\$ 2,661,317</u>	<u>\$ 7,787,250</u>

\$2,661,317 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 1,999,750
2017	\$ 1,999,750
2018	\$ 1,999,750
2019	\$ 1,788,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Methods and Assumptions

The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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

The 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.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19%	0.99%
Inflation Insensitive	6%	0.45%
Private Equity	12%	6.83%
Real Estate	11%	4.50%
Infrastructure & Forestland	3%	4.50%
Liquidity	2%	(0.55)%

* 10-year geometric average

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. 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.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
District's proportionate share of the net pension liability	<u>\$ 37,633,000</u>	<u>\$ 21,862,000</u>	<u>\$ 8,505,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

12. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 10 and 11, the District provides lifetime postemployment health care benefits to employees hired prior to June 30, 2007 and who retire from the District and meet the specific eligibility requirements set forth in their prospective employment contracts. During the fiscal year, the District recognized expenditures for these postemployment health benefits on a pay-as-you-go basis as retirees report claims/premiums are paid.

The District pays medical insurance premiums to maintain the level of coverage provided to retiree immediately preceding retirement up until the age of 70 or death of the retiree. Expenditures for postemployment health care benefits are recognized as the premiums are paid.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 7,037,956
Interest on net OPEB obligation	1,064,997
Adjustment to annual required contribution	<u>(1,161,619)</u>
Annual OPEB cost (expense)	6,941,334
Contributions made	<u>(4,877,097)</u>
Increase in net OPEB obligation	2,064,237
Net OPEB obligation - beginning of year	<u>22,420,985</u>
Net OPEB obligation - end of year	<u><u>\$ 24,485,222</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and preceding two years were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost</u> <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2013	\$ 9,074,040	49.4%	\$ 19,614,912
June 30, 2014	\$ 7,493,941	62.6%	\$ 22,420,985
June 30, 2015	\$ 6,941,334	70.3%	\$ 24,485,222

As of January 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The unfunded actuarial accrued liability for benefits was \$87,647,336. For the year ended June 30, 2015, the covered payroll (annual payroll of active employees covered by the Plan) was \$32,501,863 resulting in a ratio of the unfunded actuarial accrued liability to the covered payroll of 270 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included as Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the January 1, 2014, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates include a 2.75 percent salary increase assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015, was 29 years.

13. COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2015, the District has approximately \$5.4 million in outstanding commitments on construction contracts.

14. JOINT POWERS AGREEMENTS

San Joaquin Delta Community College District participates in public entity risk pools joint power agreements (JPAs), with Protected Insurance Program for Schools and Community Colleges (PIPS), Statewide Association of Community Colleges (SWACC) and Schools Association for Excess Risk (SAFER). The relationship between San Joaquin Delta Community College District and the JPAs is such that the JPAs are not component units of San Joaquin Delta Community College District for financial reporting purposes. There have been no significant reductions in insurance coverage from coverage in the prior year.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. SWACC, PIPS and SAFER provide workers' compensation and property and liability insurance for its members. San Joaquin Delta Community College District pays a premium commensurate with the level of coverage requested.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

14. JOINT POWERS AGREEMENTS (Continued)

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board. The District continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks exceeded the commercial insurance coverage in one of the past three years.

Condensed financial information of the JPAs for the most recent year available is as follows:

	<u>PIPS</u> <u>June 30, 2014</u>	<u>SWACC</u> <u>June 30, 2014</u>
Total assets	\$ 101,635,390	\$ 54,045,044
Total liabilities	\$ 89,564,503	\$ 23,536,002
Net position	\$ 12,070,887	\$ 30,509,042
Total revenues	\$ 18,271,889	\$ 10,230,783
Total expenses	\$ 22,602,717	\$ 10,964,706
Change in net position	\$ (4,330,828)	\$ (733,923)

	<u>SAFER</u> <u>June 30, 2014</u>
Total assets	\$ 6,441,498
Total liabilities	\$ 5,916,290
Net position	\$ 525,208
Total revenues	\$ 1,373,518
Total expenses	\$ 3,121,411
Change in net position	\$ (1,747,893)

15. SUBSEQUENT EVENT

In October 2015, the District issued General Obligation Refunding Bonds in the aggregate principal amount of \$136,945,000. The Refunding Bonds are being issued for the purpose of refunding all or a portion of it's General Obligation Bonds, Election of 2004 Series 2008B, and to pay costs of issuing the Refunding Bonds. The Refunding Bonds will bear an interest rate ranging from 2.0% to 5.0% and mature through August 2032.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2015

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2008	\$ -	\$107,368,125	\$107,368,125	0%	\$ 27,936,170	384%
January 1, 2012	\$ -	\$104,512,683	\$104,512,683	0%	\$ 37,809,985	276%
January 1, 2014	\$ -	\$ 87,647,336	\$ 87,647,336	0%	\$ 32,501,863	270%

See independent auditor's report on required supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

For the Year Ended June 30, 2015

State Teacher's Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.059%
District's proportionate share of the net pension liability	\$ 34,272,000
State's proportionate share of the net pension liability associated with the District	<u>20,695,000</u>
Total net pension liability	<u>\$ 54,967,000</u>
District's covered-employee payroll	\$ 26,122,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

The amount presented for each fiscal year were determined as of the year end that occurred on year prior.

All years prior to 2015 are not available.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

(Continued)

For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.178%
District's proportionate share of the net pension liability	\$ 21,862,000
District's covered-employee payroll	\$ 20,771,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	105%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

The amount presented for each fiscal year were determined as of the year end that occurred on year prior.

All years prior to 2015 are not available.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 2,732,280
Contributions in relation to the contractually required contribution	\$ 2,732,280
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 30,769,000
Contributions as a percentage of covered-employee payroll	8.88%
All years prior to 2015 are not available.	

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

(Continued)

For the Year Ended June 30, 2015

Public Employers Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 2,661,317
Contributions in relation to the contractually required contribution	\$ 2,661,317
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 22,609,000
Contributions as a percentage of covered-employee payroll	11.77%
All years prior to 2015 are not available.	

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Other Postemployment Benefits Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

B - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

C - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2015

San Joaquin Delta Community College District was established on July 1, 1963, and encompasses an approximately 2,300 square mile area, primarily in San Joaquin County. The District serves local communities in Stockton, Lodi, Tracy, Manteca and adjacent unincorporated areas. The District currently operates San Joaquin Delta College and the South Campus at Mountain House Center, which provides collegiate level instruction to over 29,698 students across a wide spectrum of subjects. The District is accredited by the Western Association of Schools and Colleges (WASC), which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States. The District's one college is accredited by the Western Association of Schools and Colleges.

The Governing Board and District Administration for the fiscal year ended June 30, 2015 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Steve Castellanos, FAIA	President	2016
Claudia Moreno	Vice President	2016
Janet Rivera	Clerk of the Board	2018
Dr. Teresa Brown	Member	2016
C. Jennet Stebbins	Member	2016
Catherine Mathis, MD	Member	2018
Richard Vasquez	Member	2018

DISTRICT ADMINISTRATION

Dr. Kathy Hart
Superintendent / President

Dr. Matt Wetstein
Assistant Superintendent / Vice President of Instruction

Dr. Lisa Cooper
Interim Assistant Superintendent / Vice President of Student Services

Gerardo Calderon
Vice President of Operations

Dianna Gonzales
Director of Human Resources

Raquel Puentes-Griffith
Controller

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
<i>Direct Programs:</i>		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Program (FSEOG)	84.007	\$ 559,498
College Work-Study Program	84.033	467,253
Federal Pell Grants (PELL)	84.063	28,945,743
Federal Direct Loan Program	84.268	<u>3,908,924</u>
Subtotal Financial Aid Cluster		<u>33,881,418</u>
Higher Education Institutional Aid Program:		
Higher Education Institutional Aid - Strengthening STEM Completions	84.031C	597,771
Higher Education Institutional Aid - Central Valley HSI Cooperative STEM Articulation and Transfer Project	84.031S	<u>136,167</u>
Subtotal Higher Education Institutional Aid Program		<u>733,938</u>
Rehab Services - California Department of Rehabilitation Workability	84.126A	76,803
College Access Challenge Grant Program	84.378A	9,661
Veterans Ed	84.064	2,253
<i>Passed through California Community College Chancellor's Office:</i>		
Career and Technical Education - Basic Grants to States	84.048	<u>1,124,735</u>
Total U.S. Department of Education		<u>35,828,808</u>
<u>Small Business Administration</u>		
<i>Passed through California State University, Chico:</i>		
Small Business Development Center Program:		
Small Business Development Center - Administration	59.037	103,010
Small Business Development Center - Job Funds	59.037	<u>69,147</u>
Total Small Business Administration Program		<u>172,157</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
<i>Passed through California Department of Education:</i>		
Child and Adult Care Food Program	10.558	\$ <u>93,184</u>
<u>U.S. Department of Health and Human Services</u>		
<i>Passed through California Community College Chancellor's Office:</i>		
Temporary Assistant to Needy Families (TANF)	93.558	108,092
<i>Direct Programs:</i>		
Foster Care - Title IV - E	93.658	<u>20,272</u>
Total U.S. Department of Health and Human Services		<u>128,364</u>
<u>Department of Housing and Urban Development</u>		
<i>Passed through California Department of Education:</i>		
Community Development Block Grant/Entitlement Grants	14.218	<u>16,046</u>
<u>Department of Labor</u>		
<i>Passed through California Department of Education:</i>		
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	<u>421,488</u>
Total Federal Programs		\$ <u>36,660,047</u>

See accompanying notes to supplementary information.

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS**

For the Year Ended June 30, 2015

	<u>Program Revenues</u>			<u>Unearned Revenue</u>	<u>Total</u>	<u>Total Program Expenditures</u>
	<u>Cash Received</u>	<u>Accounts Receivable</u>	\$			
Basic Skills One-Time Funds	\$ 258,998	-	\$ (29,649)	\$ 229,349	\$ 229,349	
AB 86	302,643	-	(102,967)	199,676	199,676	
BFAP - SFAA	749,018	-	-	749,018	749,018	
Block Grant	2,342,764	-	(2,088,904)	253,860	253,860	
Cal Grants	2,521,136	-	(144,980)	2,376,156	2,376,156	
Cal Pass	-	968,487	-	968,487	968,487	
CalWORKS	467,862	-	(16,058)	451,804	451,804	
CalWORKs Assessment	351,219	-	(161,189)	190,030	190,030	
CalWORKs Regional Effort	10,000	-	(6,361)	3,639	3,639	
California State Preschool Program	616,817	310	-	617,127	617,127	
CARE	206,858	-	-	206,858	206,858	
Career Tech Education - Enrollment Growth	101,087	-	(9,240)	91,847	91,847	
CCC Assess Legislative	347,057	-	(25,372)	321,685	321,685	
Common Assessment Initiative	-	1,702,778	-	1,702,778	1,702,778	
CTE LaunchBoard Data Systems	230,045	-	-	230,045	230,045	
Child Care Food Program	4,493	536	-	5,029	5,029	
Deputy Sector Navigator	44,521	289,797	-	334,318	334,318	
DHH Allowance	248,732	-	-	248,732	248,732	
DSPS Handicapped Allowance	883,344	-	-	883,344	883,344	
Extended Opportunity Program and Services (EOPS)	1,281,742	-	-	1,281,742	1,281,742	
Faculty and Staff Diversity	9,797	-	(2,747)	7,050	7,050	
Foster Care - San Joaquin County	18,500	18,500	-	37,000	37,000	
Foster Care Education	117,000	15,234	-	132,234	132,234	
Fund for Student Success - MESA	30,300	20,200	-	50,500	50,500	
Fund for Student Success - Middle College	39,600	165,267	-	204,867	204,867	
General Child Care Dev Programs	379,957	-	(18,165)	361,792	361,792	
Lottery	1,259,499	1,339,137	-	2,598,636	2,598,636	

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

(Continued)

For the Year Ended June 30, 2015

	<u>Program Revenues</u>				<u>Total</u>	<u>Total</u>
	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue</u>			<u>Program Expenditures</u>
Psychological Tech Services	\$ 255,242	\$ -	\$ -	\$	\$ 255,242	\$ 255,242
State Capital Outlay	-	249,132	-		249,132	249,132
Statewide Accountability Dashboard	93,447	139,653	-		233,100	233,100
Student Success	1,980,297	-	(806,714)		1,173,583	1,173,583
Student Equity Plan	1,081,544	-	(875,988)		205,556	205,556
TAFY	-	7,420	-		7,420	7,420
TTIP 4CNET	33,450	-	(29,384)		4,066	4,066
TTIP Technology Access	13,468	-	(13,468)		-	-
TTIP Video Conference	4,192	-	(4,192)		-	-

See accompany notes to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT**

Annual Attendance as of June 30, 2015

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	7	-	7
2. Credit	1,223	-	1,223
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	-	-	-
2. Credit	487	-	487
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	8,981	-	8,981
b. Daily Census Contact Hours	1,039	-	1,039
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	165	-	165
b. Credit	864	-	864
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,525	-	2,525
b. Daily Census Contact Hours	569	-	569
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
	<hr/>	<hr/>	<hr/>
D. Total FTES	<u>15,860</u>	<u>-</u>	<u>15,860</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	204	-	204
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	143	-	143
b. Credit	945	-	945
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	1,148	-	1,148

See accompanying notes to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2015

	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110		Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
<u>Object/TOP Codes</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
<u>Academic Salaries</u>						
Instructional salaries:						
Contract or regular	\$ 17,050,032	\$ -	\$ 17,050,032	\$ 17,050,032	\$ -	\$ 17,050,032
Other	11,468,191	-	11,468,191	11,468,191	-	11,468,191
Total instructional salaries	28,518,223	-	28,518,223	28,518,223	-	28,518,223
Non-instructional salaries:						
Contract or regular	-	-	-	4,647,112	-	4,647,112
Other	-	-	-	251,578	-	251,578
Total non-instructional salaries	-	-	-	4,898,690	-	4,898,690
Total academic salaries	28,518,223	-	28,518,223	33,416,913	-	33,416,913
<u>Classified Salaries</u>						
Non-instructional salaries:						
Regular status	-	-	-	15,611,841	-	15,611,841
Other	-	-	-	671,750	-	671,750
Total non-instructional salaries	-	-	-	16,283,591	-	16,283,591
Instructional aides:						
Regular status	1,253,998	-	1,253,998	1,253,998	-	1,253,998
Other	786,249	-	786,249	786,249	-	786,249
Total instructional aides	2,040,247	-	2,040,247	2,040,247	-	2,040,247
Total classified salaries	2,040,247	-	2,040,247	18,323,838	-	18,323,838
Employee benefits	8,614,535	-	8,614,535	19,229,190	-	19,229,190
Supplies and materials	-	-	-	1,450,426	-	1,450,426
Other operating expenses	120,912	-	120,912	7,996,818	-	7,996,818
Equipment replacement	-	-	-	-	-	-
Total expenditures prior to exclusions	\$ 39,293,917	\$ -	\$ 39,293,917	\$ 80,417,185	\$ -	\$ 80,417,185

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT

For the Year Ended June 30, 2015

EPA Proceeds: \$14,503,483

Activity	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)
Instruction	-	\$ 14,503,483	\$ -	\$ -

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditure of Federal Awards

The accompanying Schedule of Expenditure of Federal Awards includes the Federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented to comply with reporting requirements of the California Community College Chancellor's Office.

C - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students 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 based on various methods of accumulating attendance data.

D - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

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

E - Reconciliation of ECS 843632 (50 Percent Law Calculation)

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

F - Prop 30 EPA Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
San Joaquin Delta Community College District
Stockton, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of San Joaquin Delta Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2015:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees - Health Fees and Use of Health Fee Funds
- Proposition 39 Clean Energy
- Intersession Extension Program
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies
Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations of San Joaquin Delta Community College District. 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 State Chancellor's Office's California Community College District Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about San Joaquin Delta 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 state laws and regulations. However, our audit does not provide legal determination of San Joaquin Delta Community College District's compliance with those requirements.

Opinion with State Laws and Regulations

In our opinion, San Joaquin Delta Community College District complied, in all material respects, with the state laws and regulations compliance requirements referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate San Joaquin Delta Community College District had not complied with the state laws and regulations.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 18, 2015

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

Board of Trustees
San Joaquin Delta Community College District
Stockton, 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 business-type activities, the discretely presented component unit and fiduciary activities of San Joaquin Delta Community College District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise San Joaquin Delta Community College District's basic financial statements, and have issued our report thereon dated December 18, 2015. The financial statements of Delta College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Delta College Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Joaquin Delta 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 San Joaquin Delta Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Joaquin Delta Community College District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2015-001, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Audit Findings and Questioned Costs, as item 2015-001, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Joaquin Delta 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*.

Response to Finding

San Joaquin Delta Community College District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. San Joaquin Delta Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 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.


Crowe Horwath LLP

Sacramento, California
December 18, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
San Joaquin Delta Community College District
Stockton, California

Report on Compliance for Each Major Federal Program

We have audited San Joaquin Delta Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Joaquin Delta Community College District's major federal programs for the year ended June 30, 2015. San Joaquin Delta 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 San Joaquin Delta Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Joaquin Delta 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 San Joaquin Delta Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, San Joaquin Delta 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, 2015.

Report on Internal Control Over Compliance

Management of San Joaquin Delta 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 San Joaquin Delta Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Joaquin Delta 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 18, 2015

FINDINGS AND RECOMMENDATIONS

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unmodified

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 MATERIAL WEAKNESS - PAYROLL

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition

- Lack of evidence to document the input and secondary review of new or terminated employees or pay rate changes in the payroll system.
- Lack of documentation to support current hourly rates for selected employees.
- No secondary review for the manual input of the benefit rate master chart.
- No evidence of review over the final payroll register that is returned from the County.
- No evidence of reconciling the payroll registers to the general ledger. One payroll cycle for approximately \$16,000 was not recorded in the general ledger for the 2014-15 fiscal year.
- Lack of formalized process to correct errors in the general ledger after wages have been paid.
- Further cross training of responsibilities within payroll operations.

Effect

Potential misstatement over payroll and benefits expense. Payroll and benefit expense for the year ended June 30, 2015 was \$84,903,985, representing 55% of the District's total operating expenses.

Cause

The District did not establish the requisite internal control procedures.

Fiscal Impact

Not determinable.

Recommendation

We recommend that the District implement controls to ensure all processes over payroll are operating effectively.

Corrective Action Plan

The District recognizes that a material weakness exists within the payroll and general ledger ("G/L") payroll reconciliation processes. To address the lack of evidence of the input and secondary review of new or terminated employees or pay rate changes, as well as currently hourly rates, all input into the HRIS/Payroll ("MUNIS") system will be completed by an HR Specialist. Secondary review will be performed by the Payroll Officer comparing appropriate source documents (e.g., offer letter) to New Hire or other relevant reports. Required corrections found due to secondary review will be redirected back to the HR Specialist to make the changes. Documentation to ensure Payroll staff is not making adjustments or corrections to employee pay will be provided by way of reports generated by the MUNIS.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 MATERIAL WEAKNESS - PAYROLL (Continued)

Corrective Action Plan (Continued)

To address the condition of no secondary review for the manual input of the benefit rate master chart, the HRIS Analyst will enter new benefit rates into MUNIS based on information contained in source documents. Secondary review will be conducted by the Payroll Officer.

Review of final payroll register from the County Office, as well as, reconciling payroll register to G/L will be addressed through creation of 3-way reconciliation process between MUNIS payroll report, G/L export and County Office final payroll register. Review will occur monthly. Any discrepancy between County Office final payroll register and District G/L export will initiate immediate follow up with County Office. Documentation will be maintained to demonstrate reconciliation process by Fiscal staff.

To address the lack of a formalized process to correct errors in the G/L after wages have been paid, Payroll will continue its practice of notifying Fiscal of special payroll runs, adjustments, or corrections in advance to mitigate payroll errors impacting the G/L. Fiscal will draft desk top manuals of common adjustment entries to ensure consistency in G/L posting. Additionally, all G/L payroll corrections will be reviewed and approved by two senior level Fiscal staff.

Cross-training of payroll staff will continue, including training of audit process requirements and the process described in condition above.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2015

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2014-001</p> <ul style="list-style-type: none"> • Employee step pay increases are not documented by the payroll office. The payroll office updates the pay rates as an employee progresses but does not maintain records of previous increases and scheduled future increases. As such, there is no way to validate an employee's position on the schedule at any point in time except for the previous increase, which is initiated by HR department but not tracked by the Payroll department. • There are no controls in place or formal procedures documented to ensure proper preparation and review of the adjunct faculty parity pay at year end. Eligible faculty receive additional pay per the parity pay schedule, but the schedule is created by the payroll department and not reviewed by personnel independent of the payroll department. • There is a lack of segregation of duties and formal training procedures in place which required Fiscal Services to make multiple adjusting entries to correct errors. • There is a lack of primary detective controls and formal training procedures in place in Payroll requiring Fiscal Services to make multiple adjusting entries to correct identified errors. <p>We recommend that the District implement controls to ensure all processes over payroll are operating effectively.</p>	<p>Partially implemented</p>	<p>See current year finding at 2015-001.</p>

**SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2014-002</p> <p>The District could not provide the supporting data (student application) for the one student as proof as document to show support for the student eligibility for the EOPS program, as referenced above.</p> <p>The College should ensure that all student applications are appropriately stored and accounted for in order to support each student's eligibility for the EOPS program.</p>	<p>Implemented.</p>	