

**SAN JOAQUIN DELTA  
COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2016

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016

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SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016

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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, 2016, 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.

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(Continued)

## **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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 11 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 46 to 50 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 San Joaquin Delta Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

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(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016 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*  
Crowe Horwath LLP

Sacramento, California  
December 16, 2016

**San Joaquin Delta Community College District  
Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2016**

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, 2016. 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 SB361 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 16,165 and non-credit FTES were 172 for total FTES of 16,337 as reported on the annual attendance report. The funded FTES for the District were 16,337, no unfunded FTES due to borrowing from Summer 2016.
- The District's unrestricted general fund revenue increased by \$7.5 million. FTES workload restoration resulted in an increase to base funding of approximately \$3.5 million. Additionally, the District received a base increase in the amount of \$3.0M, and a small COLA totaling approximately \$1.0 million, which only partially offsets required annual salary and benefit increases. The District's funded resident base FTES was increased from 15,861 FTES to 16,337 FTES after the workload restoration was applied.

- The District maintained reserve levels and posted a decrease over prior year, and ended with an unrestricted general fund balance of \$9.9 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 2015-16 ending fund balance was 10.2 %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 2015-16 fiscal year by a net \$5.4 million. The main source of the increase was 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 \$25.9 million in direct grants were provided to students. Enrollment fee waivers and other discounts granted to students totaled \$13.3 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 eleventh year with cumulative capital expenditures of \$231.7 million. Progress was made on a number of projects during the 2015-16 fiscal year. Completion of the following projects occurred; DeRicco Student Services, Exterior Lighting, Fence Replacements, Roof Repair, Shima Heavy Equipment Phase I, and Well Repair projects. Also, there are several ongoing projects which includes additional phases to the Shima Heavy Equipment project, Soccer Field Relocation, Stockton Campus Pathways Phase II, Elevator Renovations, 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, 2016  
(in thousands)

	2016	2015	Change	% Change
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash, investments & short-term receivables	\$ 42,232	\$ 36,271	\$ 5,961	16.43%
Inventory and other assets	705	633	72	11.37%
Total Current Assets	42,937	36,904	6,033	16.35%
<b>Non Current Assets</b>				
Other noncurrent Assets	56,825	67,881	-11,056	-16.29%
Capital Assets (net of depreciation)	268,890	257,011	11,879	4.62%
Total Non Current Assets	325,715	324,892	823	0.25%
Total Assets	368,652	361,796	6,856	1.89%
Deferred Outflow of Resources (GASB 68)	42,143	5,394	36,749	681.29%
Total Assets & Deferred Outflows	\$ 410,795	\$ 367,190	\$ 43,605	11.88%
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 21,113	\$ 14,359	\$ 6,754	47.04%
Unearned revenue	16,324	5,730	10,594	184.89%
Amounts held in trust for others	0	341	-341	100.00%
Current portion of long-term obligations	20,315	20,150	165	0.82%
Total Current liabilities	57,752	40,580	17,172	42.32%
Long-Term Obligations	311,930	280,794	31,136	11.09%
Total Liabilities	369,682	321,374	48,308	15.03%
Deferred inflows	7,366	16,226	-8,860	-54.60%
<b>NET POSITION</b>				
Net investment in capital assets	104,225	68,625	35,600	51.88%
Legally Restricted	2,719	0	2,719	0.00%
Restricted for capital projects & debt service	30,420	32,226	-1,806	-5.60%
Restricted for other special purposes	0	1,559	-1,559	100.00%
Unrestricted	-103,617	-72,820	-30,797	42.29%
Total Net Position	33,747	29,590	4,157	14.05%
Total Liabilities, Deferred Inflows & Net Position	\$ 410,795	\$ 367,190	\$ 43,605	11.88%

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 \$11.9 million and resulted primarily from the Measure L Bond program. Many of the unrestricted assets have been designated by the Board 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, 2016**  
(in thousands)

	2016	2015	Change	% Change
<b>Operating Revenues</b>				
Tuition and fees	\$ 6,569	\$ 6,081	\$ 488	8.02%
Grants and contracts	35,169	26,004	9,165	35.24%
Auxiliary enterprise sales and charges	6,662	7,078	-416	-5.88%
<b>Total Operating Revenues</b>	<b>48,400</b>	<b>39,164</b>	<b>9,236</b>	<b>23.58%</b>
<b>Operating Expenses</b>				
Salaries and benefits	91,006	84,938	6,068	7.14%
Supplies and maintenance	68,637	57,950	10,687	18.44%
Depreciation	11,137	10,421	716	6.87%
<b>Total Operating Expenses</b>	<b>170,780</b>	<b>153,310</b>	<b>17,470</b>	<b>11.40%</b>
<b>Loss on Operations</b>	<b>-122,380</b>	<b>-114,145</b>	<b>-8,235</b>	<b>7.21%</b>
<b>Non-operating Revenue and (Expenses)</b>				
State apportionments	53,897	50,228	3,669	7.30%
Property taxes	31,421	26,524	4,897	18.46%
State revenues	230	236	-6	-2.54%
Pell grants	25,852	28,946	-3,094	-10.69%
Interest income	221	185	36	19.46%
Interest Expense	-7,076	-7,690	614	-7.98%
Gain(loss) on Disposal of Assets	0	0	0	0.00%
Special Items	0	0	0	0.00%
Other non-operating revenues	5,219	6,011	-792	-13.18%
<b>Total Non-operating Revenue</b>	<b>109,764</b>	<b>104,441</b>	<b>5,323</b>	<b>5.10%</b>
<b>Other Revenues</b>				
State, capital income	40	249	-209	-83.94%
Local revenues, capital	16,732	16,689	43	0.26%
<b>Total Other Revenues</b>	<b>16,772</b>	<b>16,938</b>	<b>-166</b>	<b>-0.98%</b>
<b>Net Decrease in Net Position</b>	<b>\$ 4,156</b>	<b>\$ 7,234</b>	<b>\$ -3,078</b>	<b>-42.55%</b>

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 \$6.1 million. The \$9.1 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 2015-16.

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 \$5.3 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 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 decreased by a net \$.2 million with most of the change due to required property taxes levied to service the debt for the bond program and a decrease in state capital reimbursement revenue.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016  
(in thousands)

	2016	2015	Change	% Change
Cash Provided by (Used in)				
Operating activities	\$ -104,439	\$ -102,533	\$ -1,906	2%
Noncapital financing activities	125,804	121,553	4,251	3%
Capital financing activities	-24,615	16,850	-41,465	-246%
Investing activities	221	0	0	0.00%
Net Increase(Decrease) in Cash	-3,029	35,870	-38,899	-108%
Cash, Beginning of Year	93,264	57,394	35,870	62%
Cash, End of Year	\$ 90,235	\$ 93,264	\$ -3,029	-3%

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 a 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.

## **2016-17 FACTORS AFFECTING THE FUTURE OF SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT**

The District's 2016-17 unrestricted general fund budget was based upon the following assumptions when it was adopted in September 2016.

- The District will be in FTES stability funding for 16-17 meaning no growth revenues. District will enter restoration starting with the 17-18 fiscal year.
- The state has provided no COLA but a base adjustment of 1.2% was approved by the State Senate. This is represented by the \$1 million of new revenue.
- The 2016-17 budget includes \$250k to support District's strategic goals and program review resource requests. An additional \$500k will be allocated towards required ADA/risk assessment projects.
- The 16-17 budget reflects removal of \$2.3M from allocation based on future outcomes and stability fund. These funds were contingent upon sustained enrollment growth. When the District did not meet enrollment goals, the funding was designated as one-time. Funding was subsequently utilized to settle labor negotiations. The full \$4.6M was paid out in 15-16 to save the District on pending PERS/STRS rate increases.
- The District, beginning with the 16-17 budget, will recognize anticipated salary savings of \$1M annually.
- All categorical and auxiliary programs are expected to be self-supporting, aside from required General Fund match. To ensure compliance and increased reporting efficiency.
- 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 \$5 million of new one-time funding budgeted mostly in the 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 the unrestricted general fund. The District has tremendous unmet needs in the facilities, maintenance, campus improvements, ADA accessibility and technology areas. These funds will allow substantial strategic reinvestment to enhance the student and staff experience. The hope for these changes will translate into increased enrollment and retention.

The District remains cautious in its' planning and ability to generate the FTES that are required to meet its' funded target and recognizing that the District will need to consider a possible FTES decline in future years. The magnitude of decline will be determined after we have 2016-17 enrollment numbers. The long-term planning approach will protect its' core service until it is confident that FTES growth has returned at sustainable levels. In the interim, the District is committed to its' mission and continuing to provide high-quality education to its' students.

#### 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, 2016

**ASSETS**

Current assets:	
Cash	\$ 35,629,642
Receivables	6,178,096
Due from Foundation and other funds	423,748
Stores inventory	690,024
Prepaid expenses	<u>15,258</u>
Total current assets	<u>42,936,768</u>
Noncurrent assets:	
Restricted cash and investments	54,605,921
Due from Foundation	2,220,000
Non-depreciable capital assets	110,500,544
Depreciable capital assets, net	<u>158,389,211</u>
Total noncurrent assets	<u>325,715,676</u>
Total assets	<u>368,652,444</u>

**DEFERRED OUTFLOW OF RESOURCES**

Deferred outflow of resources - pensions	12,951,946
Deferred outflow of resources - refunded debt	<u>29,190,874</u>
Total assets and deferred outflow of resources	<u>\$ 410,795,264</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 16,455,489
Unearned revenue	16,324,335
Claims liability	4,657,000
Compensated absences payable	2,738,050
Premium on general obligation bonds - current portion	1,822,364
Long-term liabilities - current portion	<u>15,755,000</u>
Total current liabilities	<u>57,752,238</u>
Noncurrent liabilities:	
Premium on general obligation bonds - noncurrent portion	27,615,464
Long-term liabilities - noncurrent portion	<u>284,314,503</u>
Total noncurrent liabilities	<u>311,929,967</u>
Total liabilities	<u>369,682,205</u>

**DEFERRED INFLOW OF RESOURCES**

Deferred inflow of resources - pensions	7,366,000
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**NET POSITION**

Net investment in capital assets	104,225,497
Restricted	
Legally restricted programs	2,718,933
Capital projects	7,224,043
Debt service	23,195,479
Unrestricted	<u>(103,616,893)</u>
Total net position	<u>33,747,059</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 410,795,264</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, 2016

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**ASSETS**

Cash and cash equivalents	\$ 2,843,829
Investments	4,523,646
Investments related to split interest agreement	46,879
Accounts receivable	<u>17,967</u>
 Total assets	 <u><u>\$ 7,432,321</u></u>

**LIABILITIES**

Accounts payable and accrued expenses	\$ 25,809
Liability under split interest agreement	8,212
Due to the District	<u>2,440,137</u>
 Total liabilities	 <u>2,474,158</u>

**NET ASSETS**

Net assets:	
Unrestricted	72,407
Temporarily restricted	<u>4,885,756</u>
 Total net assets	 <u>4,958,163</u>
 Total liabilities and net assets	 <u><u>\$ 7,432,321</u></u>

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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, 2016

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Operating revenues:	
Tuition and fees	\$ 19,840,043
Less: Scholarship discounts and allowances	<u>(13,271,529)</u>
Net tuition and fees	<u>6,568,514</u>
Grants and contracts, non-capital:	
Federal	7,597,907
State	27,571,283
Auxiliary enterprise sales and charges	<u>6,662,351</u>
Total operating revenues	<u>48,400,055</u>
Operating expenses:	
Salaries and benefits	91,005,984
Supplies, materials, and other operating expenses and services	68,095,021
Equipment, maintenance and repairs	542,010
Depreciation	<u>11,136,573</u>
Total operating expenses	<u>170,779,588</u>
Loss from operations	<u>(122,379,533)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	53,896,928
Local property taxes	31,421,499
State taxes and other revenues	230,528
Pell grants	25,851,862
Investment income, non-capital	220,647
Interest expense, net	(7,075,672)
Other non-operating revenues	<u>5,218,623</u>
Total non-operating revenues (expenses)	<u>109,764,415</u>
Loss before capital revenues	<u>(12,615,118)</u>
Capital revenues:	
State grants, capital	40,431
Local property taxes and revenues	<u>16,731,450</u>
Total capital revenues	<u>16,771,881</u>
Change in net position	<u>4,156,763</u>
Net position, July 1, 2015	<u>29,590,296</u>
Net position, June 30, 2016	<u>\$ 33,747,059</u>

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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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 824	\$ 418,176	\$ 419,000
Fundraising	-	77,490	77,490
Program service revenues	-	435,177	435,177
Interest and dividends	-	109,696	109,696
Realized and unrealized gains on investments, net	-	866	866
Other income	-	4,360	4,360
Net assets released from restrictions	<u>1,371,644</u>	<u>(1,371,644)</u>	<u>-</u>
Total revenues	<u>1,372,468</u>	<u>(325,879)</u>	<u>1,046,589</u>
Expenses:			
Student fees	681,959	-	681,959
Program	543,086	-	543,086
General and administrative	92,850	-	92,850
Fundraising	<u>53,749</u>	<u>-</u>	<u>53,749</u>
Total expenses	<u>1,371,644</u>	<u>-</u>	<u>1,371,644</u>
Change in net assets	<u>824</u>	<u>(325,879)</u>	<u>(325,055)</u>
Net assets, July 1, 2015	<u>71,583</u>	<u>5,211,635</u>	<u>5,283,218</u>
Net assets, June 30, 2016	<u>\$ 72,407</u>	<u>\$ 4,885,756</u>	<u>\$ 4,958,163</u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016

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Cash flows from operating activities:	
Tuition and fees	\$ 6,632,915
Federal grants and contracts	6,693,665
State grants and contracts	38,543,016
Payments to employees	(92,471,017)
Payments to suppliers and vendors	(36,325,114)
Payments to students	(34,164,327)
Auxiliary enterprises sales and charges	<u>6,651,799</u>
Net cash used in operating activities	<u>(104,439,063)</u>
Cash flows from noncapital financing activities:	
State appropriations	54,838,951
Local property taxes	31,421,499
State taxes and other revenues	230,528
Pell grants	25,851,862
Other payments	<u>13,461,414</u>
Net cash provided by noncapital financing activities	<u>125,804,254</u>
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	40,431
Purchase of capital assets	(17,776,110)
Principal paid on capital debt	(10,832,042)
Interest on capital debt, net	(12,778,242)
Local revenue for capital purposes	<u>16,731,450</u>
Net cash used in capital and related financing activities	<u>(24,614,513)</u>
Cash flows from investing activities:	
Interest on investments	220,647
Net cash provided in investing activities	<u>220,647</u>
Net decrease in cash and investments	(3,028,675)
Cash, July 1, 2015	<u>93,264,238</u>
Cash, June 30, 2016	<u><u>\$ 90,235,563</u></u>

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016

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Reconciliation of loss from operations to net cash used in operating activities:

Loss from operations	\$ (122,379,533)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	11,136,573
Changes in assets and liabilities:	
Receivables, net	(1,511,904)
Inventories	(72,378)
Deferred outflow of resources - pensions	(7,558,349)
Accounts payable	2,531,540
Due from/to other funds	(764,552)
Unearned revenue	9,342,306
Compensated absences	168,092
Post employment benefits	(5,068,608)
Net pension liability	18,598,000
Deferred inflow of resources - pensions	<u>(8,860,250)</u>
Net cash used in operating activities	<u>\$ (104,439,063)</u>

Supplementary disclosure of non-cash transactions:

Amortization of bond premiums	\$ 1,202,560
Accretion of interest	\$ 5,334,228

During the year ended June 30, 2016, the District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from the refunding issuance totaled \$162,563,533 for the defeasance of \$127,002,763 of previously outstanding general obligation bonds.

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See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2016

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	<u>Student Trust Funds</u>	<u>Associated Student Agency Fund</u>
<b>ASSETS</b>		
Restricted cash	\$ <u>2,678,885</u>	\$ <u>84,773</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,300	\$ 2
Due to district	189,252	14,359
Unearned revenue	<u>3,280</u>	<u>70,412</u>
Total liabilities	<u>193,832</u>	<u>\$ 84,773</u>
<b>NET POSITION</b>		
Restricted net position held in trust for students	<u>2,485,053</u>	
Total liabilities and net position	<u>\$ 2,678,885</u>	

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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, 2016

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	<u>Student Trust Funds</u>
Additions:	
Contributions	\$ 283,046
Sales income	405
Student fees	123,498
Other	<u>5,025</u>
Total additions	<u>411,974</u>
Deductions:	
Supplies and materials	23,130
Other operating expenses and services	67,662
Equipment, maintenance and repairs	508
Student awards and scholarships	321,867
Other	<u>10,030</u>
Total deductions	<u>423,197</u>
Excess of deductions over additions	<u>(11,223)</u>
Net position held in trust:	
Net position, July 1, 2015	<u>2,496,276</u>
Net position, June 30, 2016	<u><u>\$ 2,485,053</u></u>

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See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 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 District's Student Trust Funds include resources held in trust from contributions from various organizations or groups. Amounts held are restricted based on agreements with the various organizations or groups.

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*.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 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, 2016.

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 acquisition value for the contributed asset. 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 \$5,238,840 and \$6,632,049, respectively, during the year ended June 30, 2016.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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**NOTE 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. During the year ended June 30, 2016, the District has recognized a deferred loss on refunding of \$29,190,874, reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. The District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position. Amortization for the year ended June 30, 2016 totaled \$1,368,000.

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. Amortization for the year ended June 30, 2016 totaled \$1,192,000.

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	\$ 8,390,547	\$ 4,561,399	\$ 12,951,946
Deferred inflows of resources	<u>\$ 4,384,000</u>	<u>\$ 2,982,000</u>	<u>\$ 7,366,000</u>
Net pension liability	<u>\$ 44,630,000</u>	<u>\$ 30,102,000</u>	<u>\$ 74,732,000</u>
Pension expense	<u>\$ 6,380,708</u>	<u>\$ 4,376,067</u>	<u>\$ 10,756,775</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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 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, 2016 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 8, the District is partially self-insured with regard to liability and workers' compensation claims. The amount of the outstanding liability at June 30, 2016 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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 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.

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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 2 - CASH AND INVESTMENTS**

District cash at June 30, 2016, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 22,319,603	\$ 2,738,825
Deposits:		
Cash on hand and in banks	1,039,617	24,833
Cash in revolving account	12,270,422	-
Cash held by Fiscal Agent	<u>54,605,921</u>	<u>-</u>
Total cash	<u>90,235,563</u>	<u>2,763,658</u>
Less: restricted cash:		
Cash held by Fiscal Agent	54,605,921	-
Cash held in trust	<u>-</u>	<u>2,763,658</u>
Total restricted cash	<u>54,605,921</u>	<u>2,763,658</u>
Net cash	<u>\$ 35,629,642</u>	<u>\$ -</u>

Foundation cash at June 30, 2016 consisted of the following:

Cash in banks and with brokers	\$ 184,000	
Cash in County Treasury		<u>2,659,829</u>
Total cash and cash equivalents		<u>\$ 2,843,829</u>

Foundation investments at June 30, 2016 consisted of the following:

Equity securities	\$ 3,754,261	
Corporate bonds		133,247
U.S. Government obligations		289,508
Municipal securities		<u>346,630</u>
Total investments		<u>\$ 4,523,646</u>

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing San Joaquin County Treasurer's Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent: Cash with Fiscal Agent of \$54,605,921 is held by a trustee for the improvement of campus facilities and debt service. Funds are held in the County Treasury. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 2 - CASH AND INVESTMENTS** (Continued)

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, 2016, the carrying amount of the District and Fiduciary cash held in banks was \$13,334,872, and the bank balances were \$12,705,990 of which \$1,000,000 was insured by the FDIC.

The Foundation maintains substantially all of its cash in banks and are insured up to \$250,000 by the FDIC. At June 30, 2016, the carrying amount and bank balance of the Foundation's cash in banks was \$184,000, 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, 2016, 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, 2016, 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, 2016, 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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 2 - CASH AND 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	\$ 3,754,261	\$ 3,754,261	\$ -	\$ -
Corporate debt securities	133,247	-	133,247	-
US Government obligations	289,508	-	289,508	-
Municipal securities	346,630	-	346,630	-
Investments under split interest agreements	<u>46,879</u>	<u>-</u>	<u>46,879</u>	<u>-</u>
Total	<u>\$ 4,570,525</u>	<u>\$ 3,754,261</u>	<u>\$ 816,264</u>	<u>\$ -</u>

There were no changes in the valuation techniques used during the year ended June 30, 2016.

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, 2016, which were required to be disclosed using the fair value hierarchy.

The Foundation had no non recurring assets or liabilities at June 30, 2016, 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, 2016, assets held in trust under split-interest agreements totaled \$46,879 and the associated liability to beneficiaries totaled \$8,212.

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2016 are summarized as follows:

Federal	\$ 666,361
State	3,604,647
Local and other	<u>1,907,088</u>
	<u>\$ 6,178,096</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity consists of the following:

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance June 30, <u>2016</u>
Non-depreciable:					
Land	\$ 8,892,974	\$ -	\$ -	\$ -	\$ 8,892,974
Construction in progress	128,895,390	20,434,603	-	(47,722,423)	101,607,570
Depreciable:					
Building improvements	211,727,101	-	-	47,722,423	259,449,524
Machinery and equipment	21,991,315	2,580,347	(957,913)	-	23,613,749
Works of art	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Total	<u>371,512,780</u>	<u>23,014,950</u>	<u>(957,913)</u>	<u>-</u>	<u>393,569,817</u>
Less accumulated depreciation:					
Building improvements	(97,852,090)	(9,569,489)	-	-	(107,421,579)
Machinery and equipment	<u>(16,649,312)</u>	<u>(1,567,084)</u>	<u>957,913</u>	<u>-</u>	<u>(17,258,483)</u>
Total	<u>(114,501,402)</u>	<u>(11,136,573)</u>	<u>957,913</u>	<u>-</u>	<u>(124,680,062)</u>
Capital assets, net	<u>\$ 257,011,378</u>	<u>\$ 11,878,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,889,755</u>

**NOTE 5 - UNEARNED REVENUE**

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	\$ 14,881,063
Unearned tuition and student fees	861,040
Unearned local grant revenue and other	<u>582,232</u>
Total unearned revenue	<u>\$ 16,324,335</u>

**NOTE 6 - LONG-TERM LIABILITIES**

General Obligation Bonds: During February 2005, the District issued the 2004 General Obligation Bonds, Series 2005 A, in the amount of \$90,000,000. The bonds were 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 current interest bonds were partially refunded in 2016 and the remaining bonds matured during the year ended June 30, 2016.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

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, 2016, \$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, 2016, the principal outstanding was \$9,235,803 and the unamortized premium was \$863,980. 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, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 9,235,803</u>	<u>\$ 17,779,197</u>	<u>\$ 27,015,000</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 capital appreciation bonds were partially refunded in 2016. The remaining bonds mature through August 1, 2018, with interest yields ranging from 3.00 to 8.70 percent. At June 30, 2016, the principal outstanding was \$6,449,530.

The annual payments required to amortize the 2004 General Obligation Bonds, Series 2008 B outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 660,000	\$ 27,200	\$ 687,200
2018	280,000	7,000	287,000
2019	<u>5,509,530</u>	<u>7,490,470</u>	<u>13,000,000</u>
	<u>\$ 6,449,530</u>	<u>\$ 7,524,670</u>	<u>\$ 13,974,200</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, 2016, the principal outstanding was \$31,600,000 and unamortized premium was \$2,955,315. Premium cost is amortized over the life of the bonds.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

The annual payments required to amortize the 2004 General Obligation Bonds, Series 2014 C outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	1,466,156	1,466,156
2022-2026	-	7,330,781	7,330,781
2027-2031	725,000	7,318,094	8,043,094
2032-2033	13,150,000	5,941,266	19,091,266
2037-2040	<u>15,975,000</u>	<u>1,646,874</u>	<u>17,621,874</u>
	<u>\$ 31,600,000</u>	<u>\$ 29,585,295</u>	<u>\$ 61,185,295</u>

During October 2015, the District issued the 2015 General Obligation Refunding Bonds, Series A and B, in the amount of \$136,945,000. Proceeds were used to refund portions of the outstanding General Obligation Bonds Series 2005 A and Series 2008 B and the costs of issuing the 2015 General Obligation Refunding Bonds, Series A and B. At June 30, 2016, \$129,026,045 of bonds outstanding are considered defeased. The 2015 General Obligation Refunding Bonds were issued as current interest bonds and mature from August 1, 2016 through August 1, 2032 with interest rates ranging from 2.00 to 5.00 percent. At June 30, 2016 the principal outstanding was \$139,945,000 and the unamortized premium was \$25,618,533.

*Calculation of Difference in Cash Flow Requirements and Economic Gain*

Cash Flow Difference

Old debt service cash flows	\$ 219,512,188
New debt service cash flows	<u>193,732,705</u>
	<u>\$ 25,779,483</u>

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effect interest rate is \$19,380,054.

There was no accrued interest or sinking fund resources related to the new debt proceeds.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

The annual payments required to amortize the 2015 General Obligation Refunding Bonds, Series A and B, outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 465,000	\$ 6,762,000	\$ 7,227,000
2018	425,000	6,753,100	7,178,100
2019	6,040,000	6,740,350	12,780,350
2020	7,310,000	6,565,100	13,875,100
2021	7,785,000	6,230,925	14,015,925
2022-2026	44,755,000	25,309,500	70,064,500
2027-2031	57,335,000	13,477,875	70,812,875
2032-2033	<u>12,830,000</u>	<u>1,279,625</u>	<u>14,109,625</u>
	<u>\$ 136,945,000</u>	<u>\$ 73,118,475</u>	<u>\$ 210,063,475</u>

Changes in Long-Term Liabilities: A schedule of changes in long-term debt for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
General Obligation Bonds	\$ 145,438,427	\$ 136,945,000	\$ (98,153,094)	\$ 184,230,333	\$ 7,511,414
Premium on General Obligation Bonds	10,480,588	25,618,533	(6,661,293)	29,437,828	1,822,364
Accreted interest	61,835,997	5,334,228	(45,479,669)	21,690,556	8,243,586
Compensated absences	2,569,958	168,092	-	2,738,050	2,738,050
Net OPEB obligation (Note 11)	24,485,222	6,932,438	(12,001,046)	19,416,614	-
Net pension liability (Note 9 and 10)	<u>56,134,000</u>	<u>18,598,000</u>	<u>-</u>	<u>74,732,000</u>	<u>-</u>
	<u>\$ 300,944,192</u>	<u>\$ 193,596,291</u>	<u>\$ (162,295,102)</u>	<u>\$ 332,245,381</u>	<u>\$ 20,315,414</u>

**NOTE 7 - 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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 8 - 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.

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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Liability balance, beginning of year	\$ 4,657,000	\$ 9,057,000
Claims and changes in estimates	1,575,446	1,616,217
Litigation and claim settlements	<u>(1,575,446)</u>	<u>(6,016,217)</u>
Liability balance, end of year	<u>\$ 4,657,000</u>	<u>\$ 4,657,000</u>

**NOTE 9 - 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>.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 9 - NET PENSION LIABILITY – 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 full time 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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 9 - NET PENSION LIABILITY – 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 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

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 2015-16 and beyond are summarized in the table below:

*Employers* – 10.73 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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 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, 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 \$3,619,547 to the plan for the fiscal year ended June 30, 2016.

*State* – 7.391 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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

The CalSTRS state contribution rates effective for fiscal year 2015-16 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, 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%	4.517%*

\* 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, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, 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	\$ 44,630,000
State's proportionate share of the net pension liability associated with the District	<u>23,604,000</u>
Total	<u>\$ 68,234,000</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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, 2015, the District's proportion was 0.066 percent, which was an increase of 0.007 percent from its proportion measured as of June 30, 2014.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$6,380,708 and revenue of \$2,116,428 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 746,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	3,638,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,771,000	-
Contributions made subsequent to measurement date	<u>3,619,547</u>	<u>-</u>
Total	<u>\$ 8,390,547</u>	<u>\$ 4,384,000</u>

\$3,619,547 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ (834,667)
2018	\$ (834,667)
2019	\$ (834,666)
2020	\$ 1,550,000
2021	\$ 671,000
2022	\$ 670,000

Differences between expected and actual experience, changes in assumptions and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 measurement date. 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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
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>Assumed Asset Asset Class</u>	<u>Long-Term* Expected Real Allocation</u>	<u>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

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (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 <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net pension liability	<u>\$ 67,388,000</u>	<u>\$ 44,630,000</u>	<u>\$ 25,716,000</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.

**NOTE 10 - 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-2015.pdf>.

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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

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, 2016 were as follows:

*Members* – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

*Employers* – The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed \$2,841,399 to the plan for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the District reported a liability of \$30,102,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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, 2015, the District’s proportion was 0.204 percent, which was an increase of 0.006 percent from its proportion measured as of June 30, 2014.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$4,376,067. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,720,000	\$ -
Changes of assumptions	-	1,850,000
Net differences between projected and actual earnings on investments	-	1,031,000
Changes in proportion and differences between District contributions and proportionate share of contributions	322,000	101,000
Contributions made subsequent to measurement date	<u>2,841,399</u>	<u>-</u>
Total	<u>\$ 4,883,399</u>	<u>\$ 2,982,000</u>

\$2,841,399 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ (405,084)
2018	\$ (405,084)
2019	\$ (194,082)
2020	\$ (257,750)

Differences between expected and actual experience, changes in assumptions and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. 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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
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, 2014 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	51%	5.25%
Global Fixed Income	19%	0.99%
Inflation Insensitive	6%	0.45%
Private Equity	10%	6.83%
Real Estate	10%	4.50%
Infrastructure & Forestland	2%	4.50%
Liquidity	2%	(0.55)%

\* 10-year geometric average

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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**NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

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

The discount rate was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

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.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	<u>\$ 48,994,000</u>	<u>\$ 30,102,000</u>	<u>\$ 14,393,000</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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS**

The District established an Other Postemployment Benefits Plan which is a single-employer defined benefit healthcare plan. During fiscal year 2016, the District joined the California Employer's Retirement Benefit Trust Program (CERBT) to pre-fund OPEB liabilities. The CERBT is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by CalPERS. A copy of the aggregate CERBT annual financial report may be obtained at [www.calpers.ca.gov](http://www.calpers.ca.gov). CERBT serves as an irrevocable trust and ensures that funds contributed into the Trust are dedicated to service the needs of member districts, and their employees and retirees.

In addition to the pension benefits described in Notes 9 and 10, 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.

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.

The District provides these benefits on a pay-as-you-go basis. During the year ended June 30, 2016, the District made a discretionary contribution of \$6,827,329 into the Investment Trust administered by CERBT to establish participation in the Plan. The CERBT agent plan consists of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer. So the District's asset will provide benefits only under the District's plan. Separate financial statements are not prepared for the Single Employer Plan

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	1,163,048
Adjustment to annual required contribution	<u>(1,268,566)</u>
Annual OPEB cost (expense)	6,932,438
Contributions made	<u>(12,001,046)</u>
Decrease in net OPEB obligation	(5,068,608)
Net OPEB obligation - beginning of year	<u>24,485,222</u>
Net OPEB obligation - end of year	<u><u>\$ 19,416,614</u></u>

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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, 2016 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 7,493,941	63%	\$ 22,420,985
June 30, 2015	\$ 6,932,438	70%	\$ 24,485,222
June 30, 2016	\$ 6,932,438	173%	\$ 19,416,614

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 and 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.

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 normal 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 over 30 years on a closed basis for the initial UAAL and open basis for any residual UAAL. The remaining amortization period at June 30, 2016, was 19 years.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

**Construction Commitments:** As of June 30, 2016, the District has approximately \$5.7 million in outstanding commitments on construction contracts.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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**NOTE 13 - 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.

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:

	PIPS <u>June 30, 2015</u>	SWACC <u>June 30, 2015</u>
Total assets	\$ 109,911,317	\$ 53,936,821
Total liabilities	\$ 99,473,185	\$ 23,420,128
Net position	\$ 10,438,132	\$ 30,516,693
Total revenues	\$ 236,319,886	\$ 17,548,276
Total expenses	\$ 237,952,641	\$ 17,540,625
Change in net position	\$ (1,632,755)	\$ 7,651

  

	SAFER <u>June 30, 2016</u>
Total assets	\$ 23,297,652
Total liabilities	\$ 21,155,886
Net position	\$ 2,141,766
Total revenues	\$ 56,004,631
Total expenses	\$ 55,390,780
Change in net position	\$ 613,851

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**REQUIRED SUPPLEMENTARY INFORMATION**

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 For the Year Ended June 30, 2016

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Actuarial Valuation Date	Actuarial Value of Assets	Schedule of Funding Progress			Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)				
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%	

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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, 2016

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State Teacher's Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.059%	0.066%
District's proportionate share of the net pension liability	\$ 34,272,000	\$ 44,630,000
State's proportionate share of the net pension liability associated with the District	<u>20,695,000</u>	<u>23,604,000</u>
Total net pension liability	<u>\$ 54,967,000</u>	<u>\$ 68,234,000</u>
District's covered-employee payroll	\$ 26,122,000	\$ 30,769,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

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.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2016

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Public Employers Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.198%	0.204%
District's proportionate share of the net pension liability	\$ 21,862,000	\$ 30,102,000
District's covered-employee payroll	\$ 20,832,000	\$ 22,609,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	104.94%	133.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

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, 2016

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 2,732,280	\$ 3,619,547
Contributions in relation to the contractually required contribution	<u>2,732,280</u>	<u>3,619,547</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 30,769,000	\$ 33,733,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2016

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Public Employers Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 2,661,317	\$ 2,841,399
Contributions in relation to the contractually required contribution	<u>2,661,317</u>	<u>2,841,399</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 22,609,000	\$ 23,984,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

**NOTE 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

The discount rate for Public Employer's Retirement Fund B was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

**SUPPLEMENTARY INFORMATION**

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
ORGANIZATION  
June 30, 2016

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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 23,000 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, 2016 were composed of the following members:

BOARD OF TRUSTEES

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

Jeff Menge  
Vice President of Administration Services

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Education</u>		
<i>Direct Programs:</i>		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Program (FSEOG)	84.007	\$ 95,547
College Work-Study Program	84.033	427,391
Federal Pell Grants (PELL)	84.063	25,851,862
Federal Direct Loan Program	84.268	<u>4,449,270</u>
Subtotal Financial Aid Cluster		<u>30,824,070</u>
Higher Education Institutional Aid Program:		
Higher Education Institutional Aid - Strengthening STEM Completions	84.031C	968,044
Higher Education Institutional Aid - Central Valley HSI Cooperative STEM Articulation and Transfer Project	84.031S	<u>135,469</u>
Subtotal Higher Education Institutional Aid Program		<u>1,103,513</u>
Rehab Services - California Department of Rehabilitation Workability	84.126A	76,803
College Access Challenge Grant Program	84.378A	2,303
Veterans Ed	84.064	1,647
<i>Passed through California Community College Chancellor's Office:</i>		
Career and Technical Education Program:		
Career and Technical Education - Basic Grants to States	84.048	904,485
Career and Technical Education - Transitions	84.048	<u>21,254</u>
Subtotal Career and Technical Education Program		<u>925,739</u>
Total Department of Education		<u>32,934,075</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	241,730
Small Business Development Center - Go Biz	59.037	<u>7,183</u>
Total Small Business Administration		<u>248,913</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>		
<i>Passed through California Department of Education:</i>		
Child and Adult Care Food Program	10.558	\$ 102,690
Schools and Roads - Grants to States Forest Reserve	10.665	<u>306</u>
Total Department of Agriculture		<u>102,996</u>
<u>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	117,504
<i>Direct Programs:</i>		
Foster Care - Title IV - E	93.658	<u>22,500</u>
Total Department of Health and Human Services		<u>140,004</u>
<u>Department of Housing and Urban Development</u>		
<i>Passed through California Department of Education:</i>		
Community Development Block Grant Program:		
Community Development Block Grant - City of Tracy	14.218	219
Community Development Block Grant/Entitlement Grants	14.218	<u>3,650</u>
Total Department of Housing and Urban Development		<u>3,869</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>19,912</u>
Total Federal Programs		<u>\$ 33,449,769</u>

See accompanying notes to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF STATE FINANCIAL AWARDS  
For the Year Ended June 30, 2016

	<u>Program Revenues</u>			<u>Total</u>	<u>Total Program Expenditures</u>
	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue</u>		
Basic Skills One-Time Funds	\$ 203,944	\$ -	\$ (7,418)	\$ 196,526	\$ 196,526
AB 86	142,845	-	-	142,845	142,845
BFAP - SFAA	800,756	-	-	800,756	800,756
Block Grant	5,651,541	-	(2,293,153)	3,358,388	3,358,388
Cal Grants	2,254,948	-	(968)	2,253,980	2,253,980
Cal Pass	683,400	571,333	-	1,254,733	1,254,733
CalWORKs	514,754	-	(20,097)	494,657	494,657
CalWORKs Assessment	307,289	18,150	(126,593)	198,846	198,846
California Apprenticeship Program	144,800	-	(137,060)	7,740	7,740
California State Preschool Program	422,277	125,552	-	547,829	547,829
CARE	380,331	80	(37,527)	342,884	342,884
CCPT CA Career Pathways	15,526	44,907	-	60,433	60,433
Career Tech Education - Enrollment Growth	26,710	365,993	-	392,703	392,703
Common Assessment Initiative	1,692,365	-	-	1,692,365	1,692,365
Child Care Food Program	4,174	154	-	4,328	4,328
Deputy Sector Navigator	210,304	155,509	(1,506)	364,307	364,307
DHH Allowance	126,687	-	-	126,687	126,687
DSPS Handicapped Allowance	855,075	-	-	855,075	855,075
Enrollment Growth for Nursing Programs	93,000	8,087	-	101,087	101,087
Extended Opportunity Program and Services (EOPS)	1,763,398	900	(58,222)	1,706,076	1,706,076
Faculty and Staff Diversity	10,199	-	(2,275)	7,924	7,924
Foster Care - San Joaquin County	-	37,000	-	37,000	37,000
Foster Care Education	78,142	81,218	-	159,360	159,360
Fund for Student Success - MESA	30,299	20,201	-	50,500	50,500
Fund for Student Success - Middle College	39,600	59,400	-	99,000	99,000
General Child Care Dev Programs	339,885	-	-	339,885	339,885
IDRC - ICT Grant	-	10,174	-	10,174	10,174
Lottery	1,408,314	1,773,612	-	3,181,926	3,181,926
Nursing Apprenticeship Grant	400,000	-	(400,000)	-	-
Part Time Faculty Compensation	325,672	-	-	325,672	325,672
Prop 30 EPA	13,516,092	-	-	13,516,092	13,516,092

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF STATE FINANCIAL AWARDS  
For the Year Ended June 30, 2016

	<u>Program Revenues</u>			<u>Total</u>	<u>Total Program Expenditures</u>
	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue</u>		
Prop 39	\$ 689,206	\$ -	\$ (489,935)	\$ 199,271	\$ 199,271
State Capital Outlay	1,060,478	-	(760,159)	300,319	300,319
Statewide Accountability Dashboard	128,230	160,068	-	288,298	288,298
SSSP Matriculation	2,409,171	-	(1,003,927)	1,405,244	1,405,244
Student Equity Plan	2,347,848	-	(878,196)	1,469,652	1,469,652
TTIP 4CNET	29,384	-	(8,163)	21,221	21,221
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, 2016

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	8	-	8
2. Credit	1,304	-	1,304
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	-	-	-
2. Credit	1,462	-	1,462
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	8,273	-	8,273
b. Daily Census Contact Hours	871	-	871
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	161	-	161
b. Credit	697	-	697
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,612	-	2,612
b. Daily Census Contact Hours	888	-	888
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	<u>16,276</u>	<u>-</u>	<u>16,276</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	181	-	181
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	130	-	130
b. Credit	992	-	992
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	956	-	956
b. Credit	-	-	-

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, 2016

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

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See accompanying notes to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2016

General fund		\$ 10,544,502
Debt service funds		25,465,221
Special revenue funds		4,515,024
Capital projects funds		24,498,431
Enterprise funds		1,394,011
Internal service fund - self-insurance		2,166,328
Fiduciary funds		<u>520,705</u>
 Total fund balances - business-type activity funds		 69,104,222
 Amounts reported for governmental activities in the statement of net position are different because:		
 Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		
Total District capital assets	\$ 268,889,755	
less Enterprise Fund capital assets	<u>(55,143)</u>	268,834,612
 In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	\$ 12,951,945	
Deferred inflows of resources relating to pensions	<u>(7,366,000)</u>	5,585,945
 Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		
		(6,723,213)
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of:		
General obligation bonds	\$ (184,230,333)	
Bond premiums	(29,437,828)	
Accreted interest	(21,690,556)	
Compensated absences	(2,738,050)	
Other postemployment benefits	(19,416,614)	
Net pension liability	<u>(74,732,000)</u>	(332,245,381)
 Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		
		<u>29,190,874</u>
Total net position - business-type activities		<u>\$ 33,747,059</u>

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, 2016

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 19,661,609	\$ -	\$ 19,661,609	\$ 19,661,609	\$ -	\$ 19,661,609
Other	1300	<u>12,412,143</u>	<u>-</u>	<u>12,412,143</u>	<u>12,412,143</u>	<u>-</u>	<u>12,412,143</u>
Total instructional salaries		<u>32,073,752</u>	<u>-</u>	<u>32,073,752</u>	<u>32,073,752</u>	<u>-</u>	<u>32,073,752</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	4,707,771	-	4,707,771
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,901</u>	<u>-</u>	<u>206,901</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,914,672</u>	<u>-</u>	<u>4,914,672</u>
Total academic salaries		<u>32,073,752</u>	<u>-</u>	<u>32,073,752</u>	<u>36,988,424</u>	<u>-</u>	<u>36,988,424</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	18,463,543	-	18,463,543
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>651,039</u>	<u>-</u>	<u>651,039</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>19,114,582</u>	<u>-</u>	<u>19,114,582</u>
Instructional aides:							
Regular status	2200	1,459,788	-	1,459,788	1,459,788	-	1,459,788
Other	2400	<u>776,406</u>	<u>-</u>	<u>776,406</u>	<u>776,406</u>	<u>-</u>	<u>776,406</u>
Total instructional aides		<u>2,236,194</u>	<u>-</u>	<u>2,236,194</u>	<u>2,236,194</u>	<u>-</u>	<u>2,236,194</u>
Total classified salaries		<u>2,236,194</u>	<u>-</u>	<u>2,236,194</u>	<u>21,350,776</u>	<u>-</u>	<u>21,350,776</u>
Employee benefits	3000	11,293,146	-	11,293,146	23,184,416	-	23,184,416
Supplies and materials	4000	-	-	-	1,245,388	-	1,245,388
Other operating expenses	5000	87,554	-	87,554	8,320,991	-	8,320,991
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures prior to exclusions		<u>\$ 45,690,646</u>	<u>\$ -</u>	<u>\$ 45,690,646</u>	<u>\$ 91,089,995</u>	<u>\$ -</u>	<u>\$ 91,089,995</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION  
For the Year Ended June 30, 2016

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ 1,799,045	\$ -	\$ 1,799,045	\$ 1,799,045	\$ -	\$ 1,799,045
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	2,306,829	-	2,306,829
Objects to exclude:							
Rents and leases	5060	-	-	-	697,309	-	697,309
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	92,524	-	92,524
Total supplies and materials		-	-	-	92,524	-	92,524
Other operating expenses and services	5000	-	-	-	2,270,815	-	2,270,815
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		\$ 1,799,045	\$ -	\$ 1,799,045	\$ 7,166,522	\$ -	\$ 7,166,522
Total for ECS 84362, 50% Law		\$ 43,891,601	\$ -	\$ 43,891,601	\$ 83,923,473	\$ -	\$ 83,923,473
Percent of CEE (instructional salary cost /Total CEE)		52.30 %	-	52.30 %	100%	-	100%
50% of current expense of education					\$ 41,961,737	\$ -	\$ 41,961,737

See accompany notes to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
 PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT  
 For the Year Ended June 30, 2016

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EPA Proceeds: \$ 13,516,092

<u>Activity</u>	<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>
Instruction	\$ -	\$ 13,516,092	\$ -	\$ -

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See accompanying notes to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2016

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of San Joaquin Delta Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 discloses any adjustments to fund balance as reported on the CCFS-311 to fund balance used in the audited financial statements.

E - Reconciliation of Governmental Funds to the Statement of Net Position

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

F - 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.

G - Proposition 30 Education Protection Account (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 Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2016:

- 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
- Student Success and Support Program (SSSP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees - Health Fees and Use of Health Fee Funds
- Proposition 39 Clean Energy
- Interession Extension Program
- 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 San Joaquin Delta Community College District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *California State Chancellor's Office's California Community College Contracted District Audit Manual* (Audit Manual). Those standards and the Audit Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on San Joaquin Delta Community College District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about San Joaquin Delta Community College Districts 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.

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(Continued)

## **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 as listed above for the year ended June 30, 2016.

## **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*  
Crowe Horwath LLP

Sacramento, California  
December 16, 2016

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, 2016, 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 16, 2016. 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.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

## 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*.

## 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*  
Crowe Horwath LLP

Sacramento, California  
December 16, 2016

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 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, 2016. 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 Federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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(Continued)

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 16, 2016

## **FINDINGS AND RECOMMENDATIONS**

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION I - SUMMARY OF AUDITORS' RESULTS

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ Yes     X  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 2 CFR 200.516(a)? \_\_\_\_\_ Yes     X  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268 84.031C, 84.031S	Student Financial Aid Cluster Higher Education Institutional Aid Program

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 1,003,493

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes     X  No

**STATE AWARDS**

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

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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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, 2016

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<b>2015-001</b>	Implemented.	
<u>Condition:</u>		
<ul style="list-style-type: none"><li>• Lack of evidence to document the input and secondary review of new or terminated employees or pay rate changes in the payroll system.</li><li>• Lack of documentation to support current hourly rates for selected employees.</li><li>• No secondary review for the manual input of the benefit rate master chart.</li><li>• No evidence of review over the final payroll register that is returned from the County.</li><li>• 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.</li><li>• Lack of formalized process to correct errors in the general ledger after wages have been paid.</li><li>• Further cross training of responsibilities within payroll operations.</li></ul>		
<u>Recommendation:</u> We recommend that the District implement controls to ensure all processes over payroll are operating effectively.		