

**SAN JOAQUIN DELTA
COMMUNITY COLLEGE DISTRICT**

FINANCIAL STATEMENTS

June 30, 2018

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION:	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	11
DISCRETELY PRESENTED COMPONENT UNIT - DELTA COLLEGE FOUNDATION - STATEMENT OF FINANCIAL POSITION.....	12
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION.....	13
DISCRETELY PRESENTED COMPONENT UNIT - DELTA COLLEGE FOUNDATION - STATEMENT OF ACTIVITIES.....	14
STATEMENT OF CASH FLOWS.....	15
STATEMENT OF FIDUCIARY NET POSITION.....	17
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION.....	18
NOTES TO THE FINANCIAL STATEMENTS.....	19
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY.....	48
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	49
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS.....	51
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	53
SUPPLEMENTARY INFORMATION:	
ORGANIZATION.....	54
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS.....	55
SCHEDULE OF STATE FINANCIAL AWARDS.....	57

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

CONTENTS
(Continued)

SUPPLEMENTARY INFORMATION:

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT.....	59
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS.....	60
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION.....	61
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION	62
PROPOSITION 55 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT.....	64
NOTES TO SUPPLEMENTARY INFORMATION.....	65
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS.....	66
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	68
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	70
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	72
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	76

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, 2018, and the related notes to the financial statements, which collectively comprise San Joaquin Delta Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Delta College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, discretely presented component unit and fiduciary activities, of San Joaquin Delta Community College District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This resulted in a restatement of the July 1, 2017 business-type activities net position of \$(62,966,930). Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 10 and the Schedule of Changes in the District's Net 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 48 to 52 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of 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 LLP

Crowe LLP

Sacramento, California
December 21, 2018

San Joaquin Delta Community College District
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2018

This section of the San Joaquin Delta Community College District's (the "District") annual financial report presents discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. 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 government 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 and 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 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 15,730 and non-credit were 170 for a total FTES of 15,900 as reported on the annual attendance report.
- The District has a Net OPEB (Other Post-Employment Benefits) liability of \$85.5M and a Net Pension liability (STRS/PRS) of \$100.4M.
- The District maintained reserve levels and posted an increase over prior year, and ended with an unrestricted general fund balance of \$14.3 million. The California Community Colleges Chancellor's Office suggests a minimum reserve level of five percent of expenditures be set aside for economic uncertainties. The District's Board policy maintains this suggested level, but strives to improve reserve level past the five percent threshold whenever possible, especially in these times of funding uncertainty. The 2017-18 fund balance was 12.5% of total expenditures.

- The majority of expenditures, across all funds of the District, are salaries and benefits of academic, classified, and administrative employees. The unrestricted general fund costs increased slightly in the 2017-18 fiscal year by a net of \$302 thousand. The main source of the increase was related to step/column increases and increases in pension and health benefit costs.
- The District provides student financial aid to qualifying students of the District. During the fiscal year, approximately \$24.9 million in direct grants were provided to students. Enrollment fee waivers and other discounts granted to students totaled \$11.9 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 fourteenth year with cumulative capital expenditures of \$253.9 million. Progress was made on a number of projects during the 2017-18 fiscal year. Completion of the following projects occurred; Elevator Renovations and the Facilities Master Plan – 2015. Also, there are several ongoing projects which include Campus Wireless, Holt/Budd Shop Renovation project, and Manteca Farm Improvements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed financial information is as follows:

NET POSITION
AS OF JUNE 30, 2018
(in thousands)

	2018	2017	Change	% Change
ASSETS				
Current Assets				
Cash, investments & short-term receivables	\$ 51,188	\$ 47,709	\$ 3,479	7.29%
Inventory and other assets	772	878	-106	-12.07%
Total Current Assets	51,960	48,587	3,373	6.9%
Non Current Assets				
Other noncurrent Assets	65,493	45,573	19,920	43.7%
Capital Assets (net of depreciation)	282,423	276,037	6,386	2.3%
Total Non Current Assets	347,916	321,610	26,306	8.2%
Total Assets	399,876	370,197	29,679	8.0%
Deferred Outflow of Resources	62,136	52,942	9,194	17.3%
Total Assets & Deferred Outflows	\$ 462,012	\$ 423,139	\$ 38,873	9.2%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 22,595	\$ 23,333	\$ -738	-3.2%
Unearned revenue	15,628	19,697	-4,069	-20.4%
Current portion of long-term obligations	15,603	18,250	-2,647	-14.5%
Total Current liabilities	53,826	61,279	-7,453	12.2%
Long-Term Obligations	411,717	319,761	91,956	28.8%
Total Liabilities	465,543	381,040	84,503	22.2%
Deferred Inflow of Resources	7,292	3,227	4,065	125.9%
NET POSITION				
Net investment in capital assets	107,780	106,982	798	0.75%
Legally Restricted	26,994	2,391	24,603	1029%
Restricted for capital projects & debt service	9,605	31,062	-21,457	-69.1%
Restricted for other special purposes	2,505	0	2505	0.00%
Unrestricted	-157,707	-101,562	-56,145	-55.3%
Total Net Position	-10,823	38,873	-49,696	-127.8%
Total Liabilities, Deferred Inflows & Net Position	\$ 462,012	\$ 423,139	\$38,873	9.19%

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 decreased 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 \$6.4 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, Series 2018 D, and the 2006 General Obligation Refunding Bonds.

**OPERATING RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017	Change	% Change
Operating Revenues				
Tuition and fees	\$ 6,792	\$ 6,602	\$ 190	2.88%
Grants and contracts	37,881	36,065	1,816	5.04%
Auxiliary enterprise sales and charges	5,925	6,317	-392	-6.21%
Total Operating Revenues	<u>50,598</u>	<u>48,984</u>	<u>1,614</u>	<u>3.29%</u>
Operating Expenses				
Salaries and benefits	96,966	99,983	-3,017	-3.02%
Supplies and maintenance	61,008	60,082	926	1.54%
Depreciation	14,702	12,251	2,451	20.01%
Total Operating Expenses	<u>172,676</u>	<u>172,315</u>	<u>360</u>	<u>0.21%</u>
Loss on Operations	<u>-122,078</u>	<u>-123,332</u>	<u>1,254</u>	<u>-1.02%</u>
Non-operating Revenue and (Expenses)				
State apportionments	50,788	50,068	720	1.44%
Property taxes	35,859	34,799	1,060	3.55%
State revenues	235	239	-4	-1.67%
Pell grants	24,919	23,730	1,189	5.01%
Interest income	231	237	-6	-2.53%
Interest Expense	-3,186	-3,030	-156	5.15%
Other non-operating revenues	9,553	5,460	4,093	74.96%
Total Non-operating Revenue	<u>118,399</u>	<u>111,502</u>	<u>6,897</u>	<u>6.13%</u>
Other Revenues				
Local revenues, capital	16,950	16,956	-6	-0.04%
Total Other Revenues	<u>16,950</u>	<u>16,956</u>	<u>-6</u>	<u>-0.04%</u>
Cumulative effect of GASB 75 implementation	<u>-62,967</u>	<u>-</u>	<u>-62,967</u>	<u>100%</u>
Net Change in Net Position	<u>-\$49,696</u>	<u>\$ 5,126</u>	<u>-\$54,822</u>	<u>-873%</u>

(in thousands)

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 supplies and maintenance, totaling \$91.7 million. The \$1.6 million operating revenue increase was related to additional funding awards in grants and contracts, including Disabled Students Programs/Services, and Extended Opportunity Programs/Services resulting in an increase during fiscal year 2017-18.

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 \$6.8 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 \$6 thousand 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, 2018
(in thousands)

	2018	2017	Change	% Change
Cash (Used in) Provided by				
Operating activities	\$ -124,822	\$ -100,449	\$ -24,373	24.26%
Noncapital financing activities	128,871	112,420	16,451	14.63%
Capital financing activities	13,173	-17,693	30,866	-174.5%
Investing activities	231	236	-5	-2.12%
Net Increase(Decrease) in Cash	17,453	-5,486	22,939	-418.14%
Cash, Beginning of Year	84,750	90,236	-5,486	-6.08%
Cash, End of Year	\$ 102,203	\$ 84,750	\$17,453	20.59%

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.

2018-19 FACTORS AFFECTING THE FUTURE OF SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

The District's 2018-19 unrestricted general fund budget was based upon the following assumptions when it was adopted in September 2018.

- The 2018-19 revenue build is based on the new Student Centered Funding Formula for California Community Colleges proposed by the Governor. The first year of the funding formula is based on the following: 70% Base Allocation (FTES), 20% Supplemental Allocation (Equity) and 10% Student Success Allocation (Student Success). A 3-year average was used to determine our FTES (13,457.25).
- With the implementation of the Student Centered Funding Formula, the District saw a gain in revenue of approximately 1.4M.
- The District will be conservative in its approach in regards to FTES, and has based 3 year projections on the current FTES average (13,457.25), meaning no growth revenues. The District will reevaluate as more information in regards to the Student Centered Formula becomes available.
- The adopted budget reflects an increase in expenditures (over the \$2.04M in salaries at tentative) of \$931,200 to include funding to support Program Review, ERP, Maintenance and Facilities Contracts, etc.
- 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 \$2.7 million of new one-time funding budgeted mostly in the Capital Fund along with other funds to support one-time projects consistent with our budget guiding principles. The sources of the new one-time funding are from state scheduled maintenance, Prop 39 energy, redevelopment agency residual funds, parking and on-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 planning and its' ability to generate the FTES that are required to meet funded target. In light of the transition from an FTES based funding model to a 3-prong funding model, our focus must not only be FTES, but also to adjust to become more outcome oriented. The long-term planning approach will protect core service until there is confidence that the District can experience growth in FTES as well as increase outcomes. In the interim, the District is committed to its' mission and continuing to provide high-quality education to 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, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 38,579,377
Receivables	11,218,165
Due from Foundation and other funds	1,390,742
Stores inventory	<u>772,101</u>
Total current assets	<u>51,960,385</u>
Noncurrent assets:	
Restricted cash	63,623,181
Due from Foundation	1,870,000
Non-depreciable capital assets	45,929,659
Depreciable capital assets, net	<u>236,493,154</u>
Total noncurrent assets	<u>347,915,994</u>
Total assets	<u>399,876,379</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred outflow of resources - pensions	29,648,568
Deferred outflow of resources - OPEB	5,593,890
Deferred outflow of resources - refunded debt	<u>26,893,173</u>
Total assets and deferred outflow of resources	<u>\$ 462,012,010</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 15,077,535
Unearned revenue	15,627,722
Claims liability	4,657,000
Compensated absences payable	2,860,502
Premium on general obligation bonds - current portion	2,177,950
Long-term liabilities - current portion	<u>13,425,000</u>
Total current liabilities	<u>53,825,709</u>
Noncurrent liabilities:	
Premium on general obligation bonds - noncurrent portion	27,360,890
Long-term liabilities - noncurrent portion	<u>384,356,364</u>
Total noncurrent liabilities	<u>411,717,254</u>
Total liabilities	<u>465,542,963</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources - pensions	7,292,000
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NET POSITION

Net investment in capital assets	107,779,957
Restricted	
Legally restricted programs	26,994,025
Capital projects	9,605,846
Debt service	2,504,516
Unrestricted	<u>(157,707,297)</u>
Total net position	<u>(10,822,953)</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 462,012,010</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, 2018

ASSETS

Cash and cash equivalents	\$ 2,918,105
Investments	6,176,592
Investments related to split interest agreement	43,293
Accounts receivable	<u>976</u>
 Total assets	 <u><u>\$ 9,138,966</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$ 18,797
Liability under split interest agreement	4,200
Due to the District	<u>3,094,993</u>
 Total liabilities	 <u>3,117,990</u>

NET ASSETS

Net assets:	
Unrestricted	479,783
Temporarily restricted	<u>5,541,193</u>
 Total net assets	 <u>6,020,976</u>
 Total liabilities and net assets	 <u><u>\$ 9,138,966</u></u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2018

Operating revenues:	
Tuition and fees	\$ 18,682,697
Less: Scholarship discounts and allowances	<u>(11,890,885)</u>
Net tuition and fees	<u>6,791,812</u>
Grants and contracts, non-capital:	
Federal	6,007,919
State	31,873,293
Auxiliary enterprise sales and charges	<u>5,925,073</u>
Total operating revenues	<u>50,598,097</u>
Operating expenses:	
Salaries and benefits	96,965,886
Supplies, materials, and other operating expenses and services	61,007,647
Depreciation	<u>14,702,362</u>
Total operating expenses	<u>172,675,895</u>
Loss from operations	<u>(122,077,798)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	50,788,027
Local property taxes	35,859,152
State taxes and other revenues	235,858
Pell grants	24,919,029
Investment income, non-capital	230,745
Interest expense, net	(3,186,187)
Other non-operating revenues	<u>9,552,632</u>
Total non-operating revenues (expenses)	<u>118,399,256</u>
Loss before capital revenues	<u>(3,678,542)</u>
Capital revenues:	
Local property taxes and revenues	<u>16,949,714</u>
Change in net position	<u>13,271,172</u>
Net position, July 1, 2017	38,872,805
Cumulative affect of the implementation of GASB 75	<u>(62,966,930)</u>
Net position, July 1, 2017, as restated	<u>(24,094,125)</u>
Net position, June 30, 2018	<u><u>\$ (10,822,953)</u></u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT -
DELTA COLLEGE FOUNDATION
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 270,472	\$ 247,814	\$ 518,286
Program service revenues	-	314,142	314,142
Fundraising	-	142,026	142,026
Interest and dividends	51,877	65,189	117,066
Realized and unrealized gains on investments, net	137,581	216,560	354,141
Net assets released from restrictions	<u>727,630</u>	<u>(727,630)</u>	<u>-</u>
Total revenues	<u>1,187,560</u>	<u>258,101</u>	<u>1,445,661</u>
Expenses:			
Program	618,169	-	618,169
General and administrative	75,458	-	75,458
Fundraising	54,433	-	54,433
Student fees	<u>36,124</u>	<u>-</u>	<u>36,124</u>
Total expenses	<u>784,184</u>	<u>-</u>	<u>784,184</u>
Change in net assets	<u>403,376</u>	<u>258,101</u>	<u>661,477</u>
Net assets, July 1, 2017	<u>76,407</u>	<u>5,283,092</u>	<u>5,359,499</u>
Net assets, June 30, 2018	<u>\$ 479,783</u>	<u>\$ 5,541,193</u>	<u>\$ 6,020,976</u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Tuition and fees	\$ 6,726,559
Federal grants and contracts	5,933,937
State grants and contracts	17,559,102
Payments to employees	(101,066,568)
Payments to suppliers and vendors	(31,154,012)
Payments to students	(28,752,890)
Auxiliary enterprises sales and charges	<u>5,931,979</u>
Net cash used in operating activities	<u>(124,821,893)</u>
Cash flows from noncapital financing activities:	
State appropriations	50,048,935
Local property taxes	35,859,152
State taxes and other revenues	235,858
Pell grants	24,919,029
Other receipts	<u>17,807,696</u>
Net cash provided by noncapital financing activities	<u>128,870,670</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(19,254,011)
Proceeds from capital debt	32,995,000
Principal paid on capital debt	(5,304,389)
Interest on capital debt, net	(12,213,103)
Local revenue for capital purposes	<u>16,949,714</u>
Net cash provided by capital and related financing activities	<u>13,173,211</u>
Cash flows provided by investing activities:	
Interest on investments	<u>230,745</u>
Net increase in cash and cash equivalents	17,452,733
Cash and cash equivalents, July 1, 2017	<u>84,749,825</u>
Cash and cash equivalents, June 30, 2018	<u><u>\$ 102,202,558</u></u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

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

Loss from operations	\$ (122,077,798)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	14,702,362
Changes in assets and liabilities:	
Receivables, net	(5,780,488)
Prepays	11,207
Inventories	94,295
Deferred outflow of resources - pensions	(4,776,662)
Deferred outflow of resources - OPEB	(5,593,890)
Accounts payable	(4,945,237)
Due from/to other funds	184,223
Unearned revenue	(8,641,958)
Compensated absences	609,230
Net OPEB liability	1,149,323
Net pension liability	6,178,000
Deferred inflow of resources - pensions	<u>4,065,500</u>
Net cash used in operating activities	<u>\$ (124,821,893)</u>

Supplementary disclosure of non-cash transactions:

Amortization of bond premiums	\$ 1,801,720
Accretion of interest	\$ 1,165,178

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	<u>Student Trust Funds</u>	<u>Associated Student Agency Fund</u>
ASSETS		
Restricted cash and cash equivalents	\$ 2,754,860	\$ 84,773
Accounts receivable	<u>11,470</u>	<u>-</u>
Total assets	<u><u>2,766,330</u></u>	<u><u>\$ 84,773</u></u>
LIABILITIES		
Accounts payable	\$ 537	\$ 29
Due to district	16,638	9,517
Unearned revenue	5,412	-
Amounts held for others	<u>341,330</u>	<u>75,227</u>
Total liabilities	<u><u>363,917</u></u>	<u><u>\$ 84,773</u></u>
NET POSITION		
Restricted net position held in trust for students	<u>2,402,413</u>	
Total liabilities and net position	<u><u>\$ 2,766,330</u></u>	

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2018

	<u>Student Trust Funds</u>
Additions:	
Contributions	\$ 330,976
Student fees	117,549
Sales income	1,640
Other	<u>1,559</u>
Total additions	<u>451,724</u>
Deductions:	
Student awards and scholarships	389,319
Operating expenses and services	45,554
Supplies and materials	18,944
Equipment, maintenance and repairs	9,209
Other	<u>2,179</u>
Total deductions	<u>465,205</u>
Excess of deductions over additions	(13,481)
Net position held in trust:	
Net position, July 1, 2017	<u>2,415,894</u>
Net position, June 30, 2018	<u><u>\$ 2,402,413</u></u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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*.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents: 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, 2018.

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 \$1,833,874 and \$3,186,187, respectively, during the year ended June 30, 2018.

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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 shorter life of the refunded or refunding debt. Also, the District has recognized a deferred outflow of resources related to the recognition of the net pension and net OPEB liability are reported in the Statement of Net Position.

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 net pension liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain 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	<u>\$ 15,670,256</u>	<u>\$ 13,978,312</u>	<u>\$ 29,648,568</u>
Deferred inflows of resources	<u>\$ 5,546,000</u>	<u>\$ 1,746,000</u>	<u>\$ 7,292,000</u>
Net pension liability	<u>\$ 56,453,000</u>	<u>\$ 43,954,000</u>	<u>\$ 100,407,000</u>
Pension expense	<u>\$ 11,549,209</u>	<u>\$ 5,677,089</u>	<u>\$ 17,226,298</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 STRP and PERF B employees, when the employee retires.

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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 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, 2018 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.

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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Pronouncements: In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated decreasing net position by \$62,966,930 because of the recognition of the net OPEB liability.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

District cash and cash equivalents at June 30, 2018, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 11,523,908	\$ 2,523,546
Deposits:		
Cash on hand and in banks	10,812,217	316,087
Cash in revolving account	16,243,252	-
Cash held by Fiscal Agent	<u>63,623,181</u>	<u>-</u>
Total cash and cash equivalents	<u>102,202,558</u>	<u>2,839,633</u>
Less: restricted cash:		
Cash held by Fiscal Agent	63,623,181	-
Cash held in trust	<u>-</u>	<u>2,839,633</u>
Total restricted cash and cash equivalents	<u>63,623,181</u>	<u>2,839,633</u>
Net cash and cash equivalents	<u>\$ 38,579,377</u>	<u>\$ -</u>

Foundation cash and cash equivalents at June 30, 2018 consisted of the following:

Cash in banks and with brokers	\$ 258,276
Cash in County Treasury	<u>2,659,829</u>
Total cash and cash equivalents	<u>\$ 2,918,105</u>

Foundation investments at June 30, 2018 consisted of the following:

Equity securities	\$ 5,165,711
U.S. Government obligations	532,316
Municipal securities	276,086
Corporate debt securities	<u>202,479</u>
Total investments	<u>\$ 6,176,592</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 \$63,623,181 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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH, CASH EQUIVALENTS, 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, 2018, the carrying amount of the District and Fiduciary cash held in banks was \$27,371,556, and the bank balances were \$27,686,862 of which \$765,000 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, 2018, the carrying amount and bank balance of the Foundation's cash in banks was \$258,276, 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, 2018, 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, 2018, 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, 2018, 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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH, CASH EQUIVALENTS, 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>
Equity securities	\$ 5,165,711	\$ 5,165,711	\$ -	\$ -
U.S. Government obligations	532,316	-	532,316	-
Municipal securities	276,086	-	276,086	-
Corporate debt securities	202,479	-	202,479	-
Investments under split interest agreements	<u>43,293</u>	<u>-</u>	<u>43,293</u>	<u>-</u>
Total	<u>\$ 6,219,885</u>	<u>\$ 5,165,711</u>	<u>\$ 1,054,174</u>	<u>\$ -</u>

There were no changes in the valuation techniques used during the year ended June 30, 2018.

Fair values for corporate equity 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, U.S. government securities, and municipal securities. The fair value of fixed maturity securities and investments related to split interest agreements 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, 2018, which were required to be disclosed using the fair value hierarchy.

The Foundation had no non recurring assets or liabilities at June 30, 2018, 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, 2018, assets held in trust under split-interest agreements totaled \$42,293 and the associated liability to beneficiaries totaled \$4,200.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018 are summarized as follows:

Federal	\$ 515,853
State	8,922,817
Local and other	<u>1,779,495</u>
	<u>\$ 11,218,165</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	Balance June 30, <u>2018</u>
Non-depreciable:					
Land	\$ 8,892,974	\$ -	\$ -	\$ -	\$ 8,892,974
Construction in progress	52,589,306	19,332,245	-	(34,884,866)	37,036,685
Depreciable:					
Building improvements	326,133,006	-	-	34,252,097	360,385,103
Machinery and equipment	24,200,113	1,755,640	(210,977)	632,769	26,377,545
Works of art	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Total	<u>411,821,399</u>	<u>21,087,885</u>	<u>(210,977)</u>	<u>-</u>	<u>432,698,307</u>
Less accumulated depreciation:					
Building improvements	(118,279,460)	(12,896,445)	-	-	(131,175,905)
Machinery and equipment	<u>(17,504,649)</u>	<u>(1,805,917)</u>	<u>210,977</u>	<u>-</u>	<u>(19,099,589)</u>
Total	<u>(135,784,109)</u>	<u>(14,702,362)</u>	<u>210,977</u>	<u>-</u>	<u>(150,275,494)</u>
Capital assets, net	<u>\$ 276,037,290</u>	<u>\$ 6,385,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,422,813</u>

NOTE 5 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	\$ 75,444
Unearned tuition and student fees	9,564,133
Unearned local grant revenue and other	<u>5,988,145</u>
Total unearned revenue	<u>\$ 15,627,722</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES

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, 2018, the principal outstanding was \$5,509,530.

The annual payments required to amortize the 2004 General Obligation Bonds, Series 2008 B outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 5,509,530</u>	<u>\$ 7,490,470</u>	<u>\$ 13,000,000</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, 2018, the principal outstanding was \$29,850,000 and unamortized premium was \$2,185,326. Premium cost is amortized over the life of the bonds.

The annual payments required to amortize the 2004 General Obligation Bonds, Series 2014 C outstanding as of June 30, 2018, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,466,156	\$ 1,466,156
2020	-	1,466,156	1,466,156
2021	-	1,466,156	1,466,156
2022	-	1,466,156	1,466,156
2023	-	1,466,156	1,466,156
2024-2028	-	7,330,781	7,330,781
2029-2033	3,790,000	7,157,672	10,947,672
2029-2033	17,675,000	4,391,877	22,066,877
2039-2040	<u>8,385,000</u>	<u>317,000</u>	<u>8,702,000</u>
	<u>\$ 29,850,000</u>	<u>\$ 26,528,110</u>	<u>\$ 56,378,110</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, 2018, \$150,205,962 of the refunded 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, 2018 the principal outstanding was \$136,055,000 and the unamortized premium was \$23,605,500.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 425,000	\$ 6,740,350	\$ 7,165,350
2020	6,670,000	6,565,100	13,235,100
2021	7,360,000	6,230,925	13,590,925
2022	7,815,000	5,868,125	13,683,125
2023	8,490,000	5,468,750	13,958,750
2024-2028	45,370,000	20,977,000	66,347,000
2029-2033	<u>59,925,000</u>	<u>7,753,125</u>	<u>67,678,125</u>
	<u>\$ 136,055,000</u>	<u>\$ 59,603,375</u>	<u>\$ 195,658,375</u>

During January 2018, the District issued the 2004 General Obligation Refunding Bonds, Series 2018 D in the amount of \$32,995,000. The bonds are being used to finance the acquisition, construction, modernization and equipping of District sites. The bonds mature beginning on August 1, 2018 through August 1, 2028, with interest yields ranging from 2.00 to 4.00 percent. At June 30, 2018, the principal outstanding was \$32,995,000 and unamortized premium was \$3,748,014. Premium cost is amortized over the life of the bonds.

The annual payments required to amortize the 2004 General Obligation Refunding Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,229,631	\$ 1,229,631
2020	2,380,000	1,223,150	3,603,150
2021	2,525,000	1,161,475	3,686,475
2022	2,220,000	1,079,200	3,299,200
2023	1,960,000	995,600	2,955,600
2024-2028	18,650,000	3,085,000	21,735,000
2029	<u>5,260,000</u>	<u>105,200</u>	<u>5,365,200</u>
	<u>\$ 32,995,000</u>	<u>\$ 8,879,256</u>	<u>\$ 41,874,256</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities: A schedule of changes in long-term debt for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017 <u>As Restated</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2018	Amounts Due Within <u>One Year</u>
General obligation bonds	\$ 176,718,919	\$ 32,995,000	\$ (5,304,389)	\$ 204,409,530	\$ 5,934,530
Premium on general obligation bonds	27,592,546	3,748,014	(1,801,720)	29,538,840	2,177,950
Accreted interest	15,860,905	1,165,178	(9,535,613)	7,490,470	7,490,470
Compensated absences	2,251,272	609,230	-	2,860,502	2,860,502
Net OPEB liability (Note 11)	84,325,041	7,318,582	(6,169,259)	85,474,364	-
Net pension liability (Notes 9 and 10)	<u>94,229,000</u>	<u>6,178,000</u>	<u>-</u>	<u>100,407,000</u>	<u>-</u>
	<u>\$ 400,977,683</u>	<u>\$ 52,014,004</u>	<u>\$ (22,810,981)</u>	<u>\$ 430,180,706</u>	<u>\$ 18,463,452</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.

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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - RISK MANAGEMENT (Continued)

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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Liability balance, beginning of year	\$ 4,657,000	\$ 4,657,000
Claims and changes in estimates	1,436,470	1,219,883
Litigation and claim settlements	<u>(1,436,470)</u>	<u>(1,219,883)</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>.

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 (DB) 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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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.

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 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 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 CalSTRS 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 CalSTRS 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.

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 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, 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, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

*The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed \$4,620,256 to the plan for the fiscal year ended June 30, 2018.

State – 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year for fiscal year 2017-18.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding (1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018 the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 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 would 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.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

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

District's proportionate share of the net pension liability	\$ 56,453,000
State's proportionate share of the net pension liability associated with the District	<u>33,397,000</u>
Total	<u>\$ 89,850,000</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 0.061 percent, which was a decrease of .007 percent from its proportion measured as of June 30, 2016.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

For the year ended June 30, 2018, the District recognized pension expense of \$11,549,209 and revenue of \$3,318,892 for support provided by the State. At June 30, 2018, 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	\$ 209,000	\$ 985,000
Changes of assumptions	10,459,000	-
Net differences between projected and actual earnings on investments	-	1,503,000
Changes in proportion and differences between District contributions and proportionate share of contributions	382,000	3,058,000
Contributions made subsequent to measurement date	<u>4,620,256</u>	<u>-</u>
Total	<u>\$ 15,670,256</u>	<u>\$ 5,546,000</u>

\$4,620,256 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ (120,250)
2020	\$ 2,076,750
2021	\$ 1,266,750
2022	\$ (205,584)
2023	\$ 1,149,167
2024	\$ 1,337,167

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, 2017 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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

* 20-year geometric average

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

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

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 82,891,000</u>	<u>\$ 56,453,000</u>	<u>\$ 34,997,000</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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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-2017.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.

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 B, 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, 2018 were as follows:

Members – The member contribution rate was 6.50 or 7.00 percent of applicable member earnings for fiscal year 2017-18.

Employers – The employer contribution rate were 15.531 percent of applicable member earning.

The District contributed \$3,819,312 to the plan for the fiscal year ended June 30, 2018.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

At June 30, 2018, the District reported a liability of \$43,954,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District’s proportion was 0.184 percent, which was a decrease of 0.016 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$5,677,089. At June 30, 2018, 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	\$ 1,576,000	\$ -
Changes of assumptions	6,420,000	518,000
Net differences between projected and actual earnings on investments	1,521,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	642,000	1,228,000
Contributions made subsequent to measurement date	<u>3,819,312</u>	<u>-</u>
Total	<u>\$ 13,978,312</u>	<u>\$ 1,746,000</u>

\$3,819,312 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ 1,899,917
2020	\$ 4,480,917
2021	\$ 2,864,916
2022	\$ (832,750)

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, 2017 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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	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, 2016 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.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long -Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years of 1 - 10 (1)</u>	<u>Expected Real Rate of Return Years of 11+ (2)</u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation of Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average
 (1) An expected inflation rate of 2.50% used for this period
 (2) An expected inflation rate of 3.00% used for this period

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

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

In determining the long-term expected rate of return, 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 rounded 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 adjusted to account for assumed administrative expenses.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	<u>\$ 64,671,000</u>	<u>\$ 43,954,000</u>	<u>\$ 26,768,000</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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the pension benefits described in Notes 9 and 10, the District established an Other Postemployment Benefits Plan which is a single-employer defined benefit healthcare plan. The District participates in the California Employer's Retiree 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 PERS. A copy of the aggregated CERBT annual financial report may be obtained @www.calpers.ca.gov. CERBT serves as an irrevocable trust, to ensure that funds contributed into the Trust are dedicated to service the needs of member districts, and their employees and retirees.

The CERBT fund, which is an Internal Revenue Code (IRC) Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other post-employment benefits for retirees and their beneficiaries, (ii) invest contributed amounts and income therein, and (iii) disburse contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other post-employment benefits in accordance with the terms of the District's OPEB plan.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018;

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	\$ 344
Inactive employees/dependents entitled to but not yet receiving benefits	-
Active employees	<u>299</u>
	<u><u>643</u></u>

Benefits Provided: The benefits medical, dental and vision only to those hired prior to June 30, 2017 and 22 years of service. Dependents are also eligible for the noted coverage. The District provides these benefits on a pay-as-you-go basis and the Governing Board is authorized to change such benefit terms.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

OPEB Plan Investments: The plan discount rate of 6.5% was determined using the following asset allocation and assumed rate of return:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Rate of Return*</u>
US Large Cap	40%	7.795%
US Small Cap	10%	7.795%
Long-Term Corporate Bonds	18%	5.295%
Long-Term Government Bonds	6%	4.500%
Treasury Inflation Protected Securities (TIPS)	15%	7.795%
US Real Estate	8%	7.795%
All Commodities	3%	7.795%

* Geometric average

Contributions to the Plan from the District were \$5,593,890 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of June 30, 2017.

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

<u>Valuation Date</u>	June 30, 2017
<u>Measurement Date</u>	June 30, 2017
<u>Fiscal Year End</u>	June 30
<u>Actuarial Value of Assets</u>	Market Value

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

<u>Mortality Rate</u>	PERS - Non-work related rates developed in 2014 California PERS experience study STRS - Match rates developed in 2010 experience study
<u>Discount Rate as of June 30, 2017</u>	6.5%. Based on assumed long-term return on plan assets.
<u>Assumed Investment Return</u>	Not applicable since the plan is unfunded.
<u>Retirement Rate</u>	Retirement rates match rates developed in the most recent experience studies for California PERS (2009) and California STRS (2009)
<u>Inflation Rate</u>	2.75% per year
<u>Dependent Coverage</u>	Female spouses are assumed to be three years younger than male spouses. 80% of retirees are assumed to be married. Current retirees are valued based on elected coverage.
<u>Health Claims</u>	Using the 2017 premium rates, we developed an age-adjusted average per capita cost for each plan reflecting enrollments for the current active and per-65 retiree population.
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).
<u>Health Trend Rate:</u>	4%

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2017	\$ 91,604,718	\$ 7,279,677	\$ 84,325,041
Changes for the year:			
Service cost	1,470,155	-	1,470,155
Interest	5,841,721	-	5,841,721
Employer contributions	-	5,593,890	(5,593,890)
Expected investment income	-	575,369	(575,369)
Administrative expense	-	(6,706)	6,706
Benefit payments	<u>(4,893,890)</u>	<u>(4,893,890)</u>	<u>-</u>
Net change	<u>2,417,986</u>	<u>1,268,663</u>	<u>1,149,323</u>
Balance, June 30, 2018	<u>\$ 94,022,704</u>	<u>\$ 8,548,340</u>	<u>\$ 85,474,364</u>

Fiduciary Net Position as a % of the Total OPEB Liability, at June 30, 2018: 9.09%

Sensitivity of the Net Pension Liability to Assumptions: The following presents the net OPEB liability calculated using the discount rate of 6.5 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (5.5 percent) and 1 percent higher (7.5):

	Discount Rate 1% Lower (5.5%)	Valuation Discount Rate (6.5%)	Discount Rate 1% Higher (7.5%)
Net OPEB liability	<u>\$ 96,506,339</u>	<u>\$ 85,474,364</u>	<u>\$ 76,225,480</u>

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.0 percent) and 1 percent higher (5.0 percent):

	Health Care Trend Rate 1% Lower (3.0%)	Valuation Health Care Trend Rate (4.0%)	Health Care Trend Rate 1% Higher (5.0%)
Net OPEB liability	<u>\$ 76,085,441</u>	<u>\$ 85,474,364</u>	<u>\$ 96,373,384</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$6,743,213. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Benefits made subsequent to measurement date	<u>5,593,890</u>	<u>-</u>
Total	<u>\$ 5,593,890</u>	<u>\$ -</u>

\$5,593,890 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Construction Commitments: As of June 30, 2018, the District has approximately \$7.4 million in outstanding commitments on construction contracts.

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) and Statewide Association of Community Colleges (SWACC). 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 and PIPS 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.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - JOINT POWERS AGREEMENTS (Continued)

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

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

	<u>PIPS</u> <u>June 30, 2017</u>		<u>SWACC</u> <u>June 30, 2018</u>
Total assets	\$ 129,260,118	\$	52,332,118
Total liabilities	\$ 111,815,654	\$	34,316,883
Net position	\$ 17,444,464	\$	18,015,235
Total revenues	\$ 301,089,852	\$	22,350,363
Total expenses	\$ 296,996,362	\$	15,265,571
Change in net position	\$ 4,093,490	\$	7,084,792

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
For the Year Ended June 30, 2018

	Last 10 Fiscal Years
	<u>2018</u>
Total OPEB liability	
Service Cost	\$ 1,470,155
Interest	5,841,721
Benefit payments	<u>(4,893,890)</u>
Net change in total OPEB liability	2,417,986
Total OPEB liability, beginning of year	<u>91,604,718</u>
Total OPEB liability, end of year (a)	<u>\$ 94,022,704</u>
Plan fiduciary net position	
Employer contributions	\$ 5,593,890
Expected interest income	575,369
Administrative expense	(6,706)
Benefits payment	<u>(4,893,890)</u>
Change in plan fiduciary net position	1,268,663
Fiduciary trust net position, beginning of year	<u>7,279,677</u>
Fiduciary trust net position, end of year (b)	<u>\$ 8,548,340</u>
Net OPEB liability, ending (a) - (b)	<u>\$ 85,474,364</u>
Covered-employee payroll	\$ 48,534,721
Plan fiduciary net position as a percentage of the total OPEB liability %	9.09%
Net OPEB liability as a percentage of covered-employee payroll%	176.11%

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

See accompanying note to 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, 2018

State Teacher's Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.059%	0.066%	0.068%	0.061%
District's proportionate share of the net pension liability	\$ 34,272,000	\$ 44,630,000	\$ 54,745,000	\$ 56,453,000
State's proportionate share of the net pension liability associated with the District	<u>20,695,000</u>	<u>23,604,000</u>	<u>31,168,000</u>	<u>33,397,000</u>
Total net pension liability	<u>\$ 54,967,000</u>	<u>\$ 68,234,000</u>	<u>\$ 85,913,000</u>	<u>\$ 89,850,000</u>
District's covered payroll	\$ 26,122,000	\$ 30,769,000	\$ 33,733,000	\$ 32,991,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	171.12%
Plan fiduciary net position as a percentage of the total the total pension liability	76.52%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

Public Employers Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.198%	0.204%	0.200%	0.184%
District's proportionate share of the net pension liability	\$ 21,862,000	\$ 30,102,000	\$ 39,484,000	\$ 43,954,000
District's covered payroll	\$ 20,832,000	\$ 22,609,000	\$ 23,984,000	\$ 24,990,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	104.94%	133.14%	164.63%	175.89%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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.

See accompanying note to required supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2018

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 2,732,280	\$ 3,619,547	\$ 4,150,317	\$ 4,620,256
Contributions in relation to the contractually required contribution	<u>(2,732,280)</u>	<u>(3,619,547)</u>	<u>(4,150,317)</u>	<u>(4,620,256)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 30,769,000	\$ 33,733,000	\$ 32,991,000	\$ 32,018,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2018

Public Employers Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 2,661,317	\$ 2,841,399	\$ 3,470,589	\$ 3,819,312
Contributions in relation to the contractually required contribution	<u>(2,661,317)</u>	<u>(2,841,399)</u>	<u>(3,470,589)</u>	<u>(3,819,312)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 22,609,000	\$ 23,984,000	\$ 24,990,000	\$ 24,592,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULE

A - Schedule of Changes in the District's Net (OPEB) Liability

The Schedule of Changes in the District's Net OPEB liability is presented to illustrate the elements of the District's Net OPEB 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.

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, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumptions</u>	<u>Measurement Period</u>		
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
ORGANIZATION
June 30, 2018

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 23,628 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, 2018 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
VACANT	President	2018
Steve Castellanos	Vice President (Acting President)	2020
Dr. Teresa Brown	Clerk of the Board	2020
Janet Rivera	Member	2018
Carlos Huerta	Member	2020
Catherine Mathis, MD	Member	2018
Jennet Stebbins	Member	2020

DISTRICT ADMINISTRATION

Dr. Kathy Hart
Superintendent / President

Salvador Vargas
Interim Assistant Superintendent / Vice President of Instruction

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

DeAnna Solina
Vice President of Human Resources

Vacant*
Vice President of Administration Services

*Vacant VP of Administrative Services has been filled by Chris Nguyen subsequent to June 30, 2018.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

<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	\$ 565,365
College Work-Study Program	84.033	423,251
Federal Pell Grants (PELL)	84.063	24,919,029
Federal Direct Loan Program	84.268	<u>3,542,282</u>
Subtotal Financial Aid Cluster		<u>29,449,927</u>
Rehab Services - California Department of Rehabilitation Workability	84.126A	81,550
College Access Challenge Grant Program	84.378A	5,349
Veterans Ed	84.064	1,288
<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	940,596
Career and Technical Education - Transitions	84.048	<u>23,449</u>
Subtotal Career and Technical Education Program		<u>964,045</u>
Total Department of Education		<u>30,502,159</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	161,885
Small Business Development Center - Go Biz	59.037	<u>33,806</u>
Total Small Business Administration		<u>195,691</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

<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	\$ 75,628
<u>Department of Health and Human Services</u>		
<i>Direct Programs:</i>		
Foster Care - Title IV - E	93.658	22,500
<i>Passed through California Community College Chancellor's Office:</i>		
Temporary Assistant to Needy Families (TANF) - TANF Cluster	93.558	<u>110,821</u>
Total Department of Health and Human Services		<u>133,321</u>
<u>Corporation for National and Community Service</u>		
<i>Passed through California Community College Chancellor's Office:</i>		
AmeriCorps Student Ambassador Program	94.006	149
<u>Department of Housing and Urban Development</u>		
<i>Passed through California Department of Education:</i>		
Community Development Block Grant - CDBG - Entitlement Grants Cluster	14.218	<u>20,000</u>
Total Federal Programs		<u>\$ 30,926,948</u>

See accompanying note to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2018

	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Adult Block Grant AB 104	\$ 3,169,610	\$ -	\$ (2,180,931)	\$ 988,679	\$ 988,679
Adult Block Grant Data & Accountability	498,605	-	(363,522)	135,083	135,083
Basic Skills One-Time Funds	743,277	303,120	(485,704)	560,693	560,693
BFAP - SFAA	740,035	-	-	740,035	740,035
Block Grant	3,580,328	-	(2,386,404)	1,193,924	1,193,924
Cal Grants	2,576,539	3,971	(56)	2,580,454	2,580,454
Cal Pass	815,886	440,350	-	1,256,236	1,256,236
CalWORKs	636,959	-	-	636,959	636,959
CalWORKs Assessment	123,325	9,825	-	133,150	133,150
California Apprenticeship Program	100,694	-	(95,934)	4,760	4,760
California State Preschool Program	637,025	-	(23,788)	613,237	613,237
Campus Safety & Sexual Assault Allocation	25,782	-	(25,782)	-	-
CARE	314,287	-	-	314,287	314,287
CCPT CA Career Pathways	22,644	38,307	-	60,951	60,951
Career Tech Education - Enrollment Growth	5,472,364	470,557	(3,348,498)	2,594,423	2,594,423
CDC Infant & Toddler/CSPP	50,659	-	(33,417)	17,242	17,242
Community College Completion Grant	86,250	-	(11,250)	75,000	75,000
Child Care Food Program	3,780	90	-	3,870	3,870
Deputy Sector Navigator	39,930	233,321	-	273,251	273,251
DHH Allowance	69,851	-	-	69,851	69,851
DSN - NACCE	20,642	-	(9,928)	10,714	10,714
DSPS Handicapped Allowance	905,200	-	(11,097)	894,103	894,103
Enrollment Growth for Nursing Programs	61,600	92,400	-	154,000	154,000
Emergency Funding for Dreamers	83,217	-	-	83,217	83,217
Extended Opportunity Program and Services (EOPS)	1,611,637	-	(17,675)	1,593,962	1,593,962
Faculty and Staff Diversity	106,047	-	(101,323)	4,724	4,724
Foster Care - San Joaquin County	46,626	11,574	-	58,200	58,200
Foster Care Education	133,298	50,411	-	183,709	183,709
Fund for Student Success - MESA	29,805	33,965	-	63,770	63,770
Fund for Student Success - Middle College	40,000	60,000	-	100,000	100,000
Full Time Student Success Grant	1,352,437	-	(93,000)	1,259,437	1,259,437
General Child Care Dev Programs	366,660	-	(5,267)	361,393	361,393
Guided Pathways	461,398	-	(416,365)	45,033	45,033
ISIPC	-	20,000	(20,000)	-	-

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2018

	<u>Program Revenues</u>			<u>Total</u>	<u>Total Program Expenditures</u>
	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue</u>		
Lottery	1,872,385	578,836	(14,631)	2,436,590	2,436,590
NETLAB Virtual Lab	40,000	-	(40,000)	-	-
Nursing Apprenticeship Grant	-	329,794	-	329,794	329,794
Part Time Faculty Compensation	282,521	-	-	282,521	282,521
Prop 30 EPA	11,365,163	-	-	11,365,163	11,365,163
Prop 39	\$ 1,261,536	\$ -	\$ (834,508)	\$ 427,028	\$ 427,028
State Capital Outlay	1,031,283	-	(215,264)	816,019	816,019
Statewide Accountability Dashboard	-	6,560	-	6,560	6,560
Student Hunger at Community Colleges	34,783	-	(34,783)	-	-
SSSP Matriculation	2,720,514	-	(990,340)	1,730,174	1,730,174
Student Equity Plan	2,150,754	(1,023,402)	-	1,127,352	1,127,352
SWP Regional SW2 TPP	-	15,000	(15,000)	-	-
TTIP 4CNET	8,163	-	(8,163)	-	-
TTIP Technology Access	2,575	-	(2,575)	-	-
TTIP Video Conference	4,192	-	(4,192)	-	-
Veterans Resource Center	46,299	-	(46,299)	-	-

See accompanying note to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF WORKLOAD MEASURES FOR
 STATE GENERAL APPORTIONMENT
 Annual Attendance as of June 30, 2018

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	13	-	13
2. Credit	1,692	-	1,692
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit	-	-	-
2. Credit	1,340	-	1,340
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	7,260	-	7,260
b. Daily Census Contact Hours	743	-	743
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	152	-	152
b. Credit	749	-	749
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,589	-	2,589
b. Daily Census Contact Hours	1,174	-	1,174
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	<u>15,712</u>	<u>-</u>	<u>15,712</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	229	-	229
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	100	-	100
b. Credit	584	-	584
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	838	-	838

See accompanying note 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, 2018

	Capital Projects <u>Funds</u>
June 30, 2018 Audited 311 Financial Statements Ending Fund Balance:	\$ 12,279,558
Client proposed adjustment for reclassification of bond funds	<u>23,860,169</u>
June 30, 2018 Audit Financial Statements Ending Fund Balance	<u>\$ 36,139,727</u>

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

See accompanying note to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018

General fund		\$ 14,287,224
Debt service funds		29,314,713
Special revenue funds		6,749,953
Capital projects funds		36,139,727
Enterprise funds		1,363,857
Internal service fund - self-insurance		1,617,574
Fiduciary funds		<u>522,096</u>
 Total fund balances - business-type activity funds		 89,995,144
 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	\$ 282,422,813	
less Enterprise Fund capital assets	<u>(40,387)</u>	282,382,426
 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 OPEB and pensions are reported:		
Deferred outflows of resources relating to pensions	\$ 29,648,568	
Deferred outflows of resources relating to OPEB	5,593,890	
Deferred inflows of resources relating to pensions	<u>(7,292,000)</u>	27,950,458
 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.		
		(7,863,448)
 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, 2018 consisted of:		
General obligation bonds	\$ (204,409,530)	
Bond premiums	(29,538,840)	
Accreted interest	(7,490,470)	
Compensated absences	(2,860,502)	
Net OPEB liability	(85,474,364)	
Net pension liability	<u>(100,407,000)</u>	(430,180,706)
 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>26,893,173</u>
Total net position - business-type activities		<u>\$ (10,822,953)</u>

See accompanying note to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2018

	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	\$ 18,190,694	\$ -	\$ 18,190,694	\$ 18,190,694	\$ -	\$ 18,190,694
Other	1300	<u>10,666,703</u>	<u>-</u>	<u>10,666,703</u>	<u>10,660,852</u>	<u>-</u>	<u>10,660,852</u>
Total instructional salaries		<u>28,857,397</u>	<u>-</u>	<u>28,857,397</u>	<u>28,851,546</u>	<u>-</u>	<u>28,851,546</u>
Non-instructional salaries:							
Contract or regular	1200	-	-	-	4,574,627	-	4,574,627
Other	1400	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,875</u>	<u>-</u>	<u>296,875</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,871,502</u>	<u>-</u>	<u>4,871,502</u>
Total academic salaries		<u>28,857,397</u>	<u>-</u>	<u>28,857,397</u>	<u>33,723,048</u>	<u>-</u>	<u>33,723,048</u>
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	17,587,605	-	17,587,605
Other	2300	<u>-</u>	<u>-</u>	<u>-</u>	<u>738,632</u>	<u>-</u>	<u>738,632</u>
Total non-instructional salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>18,326,237</u>	<u>-</u>	<u>18,326,237</u>
Instructional aides:							
Regular status	2200	1,451,049	-	1,451,049	1,451,049	-	1,451,049
Other	2400	<u>761,290</u>	<u>-</u>	<u>761,290</u>	<u>761,290</u>	<u>-</u>	<u>761,290</u>
Total instructional aides		<u>2,212,339</u>	<u>-</u>	<u>2,212,339</u>	<u>2,212,339</u>	<u>-</u>	<u>2,212,339</u>
Total classified salaries		<u>2,212,339</u>	<u>-</u>	<u>2,212,339</u>	<u>20,538,576</u>	<u>-</u>	<u>20,538,576</u>
Employee benefits	3000	13,415,851	-	13,415,851	26,386,966	-	26,386,966
Supplies and materials	4000	-	-	-	1,223,753	-	1,223,753
Other operating expenses	5000	93,809	-	93,809	9,567,331	-	9,567,331
Equipment replacement	6420	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures prior to exclusions		<u>\$ 44,579,396</u>	<u>\$ -</u>	<u>\$ 44,579,396</u>	<u>\$ 91,439,674</u>	<u>\$ -</u>	<u>\$ 91,439,674</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2018

	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	\$ 1,995,209	\$ -	\$ 1,995,209	\$ 1,995,209	\$ -	\$ 1,995,209
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	2,783,652	-	2,783,652
Objects to exclude:							
Rents and leases	5060	-	-	-	654,606	-	654,606
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	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	1,767,451	-	1,767,451
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	382,397	-	382,397
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	382,397	-	382,397
Other outgo	7000	-	-	-	-	-	-
Total exclusions		<u>1,995,209</u>	<u>-</u>	<u>1,995,209</u>	<u>7,583,315</u>	<u>-</u>	<u>7,583,315</u>
Total for ECS 84362, 50% Law		<u>\$ 42,584,187</u>	<u>\$ -</u>	<u>\$ 42,584,187</u>	<u>\$ 83,856,359</u>	<u>\$ -</u>	<u>\$ 83,856,359</u>
Percent of CEE (instructional salary cost /Total CEE)		50.78 %	-	50.78 %	100%	-	100%
50% of current expense of education		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 41,928,180</u>	<u>\$ -</u>	<u>\$ 41,928,180</u>

See accompanying note to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
For the Year Ended June 30, 2018

EPA Proceeds: \$ 11,365,163

<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	\$ -	\$ 11,365,163	\$ -	\$ -

See accompanying note to supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2018

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 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 55 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, 2018:

- 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
- Dual Enrollment (CCAP and Non-CCAP)
- Student Equity
- Student Success and Support Program (SSSP)
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Proposition 39 Clean Energy Fund
- Intersession Extension Programs
- Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- 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.

(Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide legal determination of San Joaquin Delta Community College District's compliance with those requirements.

Opinion with State Laws and Regulations

In our opinion, San Joaquin Delta Community College District complied, in all material respects, with the state laws and regulations as listed above for the year ended June 30, 2018. Further, based on our examination, for items not tested, nothing came to our attention to indicate that San Joaquin Delta Community College District had not complied with the requirements that are applicable to the state laws and regulations.

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
December 21, 2018

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, 2018, 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 21, 2018. 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 first 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.

(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 LLP

Crowe LLP

Sacramento, California
December 21, 2018

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 the San Joaquin Delta Community College District's major federal program for the year ended June 30, 2018. San Joaquin Delta Community College District's major federal program is 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 the 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 the major federal program for the year ended June 30, 2018.

(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 LLP

Crowe LLP

Sacramento, California
December 21, 2018

FINDINGS AND RECOMMENDATIONS

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2018

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	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 927,808

Auditee qualified as low-risk auditee? _____ Yes X No

STATE AWARDS

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

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		