

**SAN JOAQUIN DELTA
COMMUNITY COLLEGE DISTRICT**

**MEASURE L GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**

June 30, 2017

SAN JOAQUIN DELTA COMMUNITY COLLEGE

MEASURE L GENERAL OBLIGATION BONDS
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
San Joaquin Delta Community College District

Report on the Financial Statements

We have audited the accompanying financial statements of San Joaquin Delta Community College District (the "District") Measure L General Obligation Bonds (the "Bonds") activity included in the Bond Construction Fund of the District (the "Bond Fund"), as of and for the year ended June 30, 2017, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Joaquin Delta Community College District (the "District") Measure L General Obligation Bonds activity as of June 30, 2017, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present the financial activity and balances of the Measure L General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of the San Joaquin Delta Community College District as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2107 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Measure L General Obligation Bonds activity. 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 for the Measure L General Obligation Bonds activity. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance for the Measure L General Obligation Bonds activity.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 12, 2017

SAN JOAQUIN COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2017

ASSETS

Cash and cash equivalents	\$ 9,695,012
Due from District	<u>1,029,255</u>
Total assets	<u>\$ 10,724,267</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 2,509,370
Restricted fund balance	<u>8,214,897</u>
Total liabilities and fund balance	<u>\$ 10,724,267</u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
MEASURE L GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
For the year ended June 30, 2017

Revenues:	
Interest income	\$ <u>132,015</u>
Expenditures:	
Supplies and Materials	20,394
Other operating expenditures	517,982
Capital outlay	<u>12,362,856</u>
Total expenditures	<u>12,901,772</u>
Net change in fund balance	(12,769,756)
Restricted fund balance, July 1, 2016	<u>20,984,653</u>
Restricted fund balance, June 30, 2017	<u>\$ 8,214,897</u>

See accompanying notes to financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
2004 MEASURE L GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Joaquin Delta Community College District (the "District") accounts for its Bond Capital Projects Fund's ("Bond Fund") financial transactions in accordance with policies and procedures of the State Chancellor's Office's *California Community Colleges Budget and Accounting Manual*. The accounting policies of the Bond Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Financial Reporting Entity: The financial statements include only the Bond Fund Resources of the District. The fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds, Election of 2004. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements represent the Bond Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents: For the purpose 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.

Due from District: At June 30, 2017, an interfund receivable balance totaling \$1,029,255 was due from the District's general fund for interest and reimbursements for vendor payments.

Accounts Payable: Accounts payable of \$2,509,370 at June 30, 2017 consisted of vendor payables.

Restricted Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Bond Fund in accordance with the Bond Project List for Measure L General Obligation Bonds.

Accounting Estimates: The presentation 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. Actual results could differ from those estimates.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

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SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
 2004 MEASURE L GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017 consisted of \$9,695,012 held in the County Treasury investment pool.

Credit Risk: In accordance with Education Code Section 41001, the Bond Fund maintains substantially all of its cash in the interest bearing San Joaquin County Treasurer's Investment Fund. The Bond Fund is considered to be an involuntary participant in an external investment pool. The fair value of the Bond Fund's investment in the pool is reported in the financial statements at amounts based upon the Bond Fund'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.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
County Pooled Investment Fund	None	None	None

Disclosures Relating to Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk: The District's investment policy places limits on the amount it may invest in any one issuer. At June 30, 2017, the District had no concentration of credit risk.

NOTE 3 – PURPOSE OF BOND ISSUANCE

Bond Authorization: The San Joaquin Delta Community College District, Stockton, California Election of 2004 General Obligation Bonds, Measure L were authorized at an election of the registered voters of the San Joaquin Delta Community College District held on March 2, 2004 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$250 million principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction and modernization of certain District property and facilities. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes.

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SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
2004 MEASURE L GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 – PURPOSE OF BOND ISSUANCE (Continued)

Purpose of Bonds:

The proceeds of the Bond may be used:

"San Joaquin Delta College Repair/Job Training Measure: To prepare students for jobs, transfer to four year colleges, repair buildings, improve safety, accommodate growing enrollment by:

- *Repairing leaky roofs, decaying walls, electrical wiring;*
- *Improving fire safety;*
- *Removing asbestos;*
- *Expanding/establishing Stockton, Manteca, Tracy, Lodi/Galt, Foothill Area campuses/education centers;*
- *Upgrading, acquiring, constructing, equipping buildings, sites, classrooms;*

shall San Joaquin Delta Community College District issue \$250,000,000 in bonds, at legal rates, with citizen oversight, guaranteed annual audits and no money for administrator's salaries?"

NOTE 4 – GENERAL OBLIGATION BOND ISSUANCES

The bonds are general obligations of the District. The Board of Supervisors of San Joaquin County are obligated to levy *ad valorem* taxes for the payment, without limitation as to amount, upon all property within the county subject to taxation by the District for the payment of principal of and interest on the Bonds when due. The bonds are included in the audited financial statements of the District. As of June 30, 2016, the District has issued approximately \$250 million of Measure L bonds.

During February 2005, the District issued 2004 General Obligation Bonds, Series 2005A in the amount of \$90,000,000. The current interest bonds were partially refunded in 2016 and the remaining bonds matured during the year ended June 30, 2017.

During July 2008, the District issued 2004 General Obligation Bonds, Series 2008B in the amount of \$92,000,582. 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.

During August 2014, the District issued 2004 General Obligation Bonds, Series 2014C in the amount of \$35,000,000. The current interest serial bonds accrue interest up to a maximum of 5.00% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The bonds mature beginning on August 1, 2015 through August 1, 2039.

During June 2006 and October 2015, the District issued General Obligation Refunding Bonds to advance refund a portion of the 2004 General Obligation Bonds. At June 30, 2017, \$136,886,975 of 2004 General Obligation Bonds outstanding are considered defeased.

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SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
2004 MEASURE L GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – CONSTRUCTION COMMITMENTS

As of June 30, 2017, the District has approximately \$9,084,214 in outstanding commitments on 2004 General Obligation Bond construction contracts.

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

To the Board of Trustees
San Joaquin Delta Community College District

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 San Joaquin Delta Community College District (the "District") Measure L General Obligation Bonds (the "Bonds") activity included in the Bond Construction Fund of the District (the "Bond Fund") as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the San Joaquin Delta Community College District's internal control over Measure L General Obligation Bond activity financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Joaquin Delta Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Joaquin Delta Community College District Measure L General Obligation Bond activity included in the Bond Fund of the District's financial statements is free of material misstatement, we performed tests of the District's 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 for the Bond Fund. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2017