

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

FINANCIAL STATEMENTS
June 30, 2011

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2011

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SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of San Joaquin Delta Community College District (the "District") as of and for the year ended June 30, 2011, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. The financial statements of Delta College Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the net assets of the business-type activities and the discretely presented component unit of San Joaquin Delta Community College District as of June 30, 2011, and the results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the basic financial statements, the District restated its beginning net assets to correct errors in the reporting of the District's Fiduciary Trust Fund, General Obligation Bond premiums and liability for accreted interest at July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT

(Continued)

Management's Discussion and Analysis (MD&A) and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits Funding Progress, are not a required part of the financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Crowe Horwath LLP", is positioned above the printed name of the firm.

Crowe Horwath LLP

Sacramento, California
December 29, 2011

San Joaquin Delta Community College District
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2011

This section of San Joaquin Delta Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. 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 Codification Section (Cod. Sec.) 2200.101, which established a new reporting format for annual financial statements of governmental entities. In November 1999, GASB issued Cod. Sec. Co5, which applies these reporting standards to public colleges and universities such as San Joaquin Delta Community College District. The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

USING THIS REPORT

As required by generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets, the Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Change in Net Assets focuses on the costs of our operational activities (which are supported mainly by the SB 361 Funding described below). This approach is intended to summarize and simplify the user's analysis of the cost of various services to students and to the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and 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 was 16,134 and non-credit FTES was 136 for a total FTES of 16,300 as reported on the annual attendance report.
- The District's base apportionment revenue was increased by approximately \$554 thousand as a result of the grandfathered center reaching a milestone of 1,000 FTES and \$1.1 million level of base funding. The District's beginning base FTES at the second principal apportionment report was 15,866, slightly lower than the adjusted workload reduction from 2009-10 of 15,903 FTES. The District served an additional 207 unfunded FTES to arrive at the funded second principal apportionment amount of 16,441 FTES for 2010-11. Partial restoration of 2009-10 3.34% workload reduction materialized in 2010-11 at 2.21% which translated to approximately \$1.8 million, but was offset by a system deficient of \$421 thousand due to a shortfall in local revenues. Lastly, a one-time increase to other state revenue for state mandated costs in the amount of \$299 thousand was recognized in the year.

- The District ended the year with an unrestricted general fund balance of \$13.2 million, an increase of \$2.6 million from the previous year. The increase in fund balance was a result from increases in state revenue and internal budget savings. The California Community Colleges Chancellor's Office suggests reserve levels of five percent of expenditures be set aside for economic uncertainties. The District's Board policy maintains this suggested level and strives to improve the reserve level past the five percent whenever possible and especially in these times of fiscal crisis.
- The primary expenditures for all funds of the District are for salaries and benefits of academic, classified, and administrative employees. These costs decreased over the 2010-11 fiscal year by \$3.2 million. This decrease reflects the continuing trend from prior year of reduction-in-force and early retirement incentives as the District responds to the State revenue reductions affecting the entire community college system.
- The District provides student financial aid to qualifying students of the District. During the fiscal year, approximately \$32.1 million in direct grants was provided to our students. Enrollment fee waivers and other discounts granted to students totaled \$7.6 million.
- Measure L General Obligation bond program completed its seventh year with cumulative expenditures of \$159.6 million. The main project completed during the year was phase I of the state of the art data center that houses both technical services and systems development. Phase II will be the installation of robust network equipment and completing the fiber loop around the main campus to ensure consistent stable network services. Another major project continuing in the fiscal year is the new math and science complex which consists of upgraded laboratory spaces and also classrooms and offices. These projects are in addition to previously completed projects such as the new student services building, major renovation to the library and new athletics facilities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed financial information is as follows:

NET ASSETS AS OF JUNE 30, 2011 (in thousands)

ASSETS	2011	2010	Change	% Change
Current Assets				
Cash, investments and short-term receivables	\$ 38,066	\$ 46,885	\$ (8,819)	-18.8%
Inventory and other assets	1,356	2,228	(872)	-39.1%
Total Current Assets	39,422	49,113	(9,691)	-19.7%
Noncurrent Assets:				
Other noncurrent assets	78,966	82,611	(3,645)	-4.4%
Capital Assets (net of depreciation)	210,720	193,319	17,401	9.0%
Total Non Current Assets	289,686	275,930	13,756	5.0%
Total Assets	\$ 329,108	\$325,043	\$ 4,065	1.3%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 12,555	\$ 14,111	\$ (1,556)	-11.0%
Deferred revenue	2,280	3,642	(1,362)	-37.4%
Due to other Funds	266	2,523	(2,257)	-89.5%
Current portion of long-term obligations	16,191	14,906	1,285	8.6%
Total Current Liabilities	31,292	35,182	(3,890)	-11.1%
Long-Term Obligations	192,153	192,074	79	0.0%
Total Liabilities	223,445	227,256	(3,811)	-1.7%
NET ASSETS				
Invested in capital assets	78,088	81,832	(3,744)	-4.6%
Restricted for capital projects and debt service	19,368	18,832	536	2.8%
Restricted for other special purposes	6,362	6,781	(419)	-6.2%
Unrestricted	1,845	(9,658)	11,503	-119.1%
Total Net Assets	105,663	97,787	7,876	8.1%
Total Liabilities and Net Assets	\$ 329,108	\$325,043	\$ 4,065	1.3%

This schedule has been prepared from the District's Statement of Net Assets (page 9), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

A restatement of Net Assets was necessary as of July 1, 2010. As noted in the Findings and Questioned Costs (pages 56 and 57), the District's Net Assets were overstated by \$102 thousand due to two issues that came to the attention of the District during the audit regarding the accounting treatment of bond premiums and accreted interest. The District has consistently reported these items in prior years and never received notice of reporting exceptions until this year. Procedures to ensure accurate financial reporting going forward has been established.

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 explained in the Statement of Cash Flows (pages 13 and 14). Long-term obligations consist of the General Obligation Bonds, Series 2005A, Series 2005B and the 2006 Series A Refunding Bonds.

Capital assets are 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 \$17.4 million. Many of the unrestricted net assets have been designated by the Board or by contracts for such purposes as federal and state grants, outstanding commitments on construction contracts and general reserves for the ongoing financial health of the District.

OPERATING RESULTS
FOR THE YEAR ENDED JUNE 30, 2011
(in thousands)

	2011	2010	Change	% Change
Tuition and fees	\$ 4,718	\$ 5,861	\$ (1,143)	-19.5%
Grants and contracts	25,724	22,113	3,611	16.3%
Auxiliary enterprise sales and charges	7,624	7,694	(70)	-0.9%
Total Operating Revenues	38,066	35,668	2,398	6.7%
Operating Expenses				
Salaries and benefits	79,352	82,517	(3,165)	-3.8%
Supplies and maintenance	68,763	53,348	15,415	28.9%
Depreciation	6,188	4,796	1,392	29.0%
Total Operating Expenses	154,303	140,661	13,642	9.7%
Loss on Operations	(116,237)	(104,993)	(11,244)	10.7%
Non-operating Revenues and (Expenses)				
State apportionment	53,079	49,009	4,070	8.3%
Property taxes	24,387	25,038	(651)	-2.6%
State revenues	405	2,865	(2,460)	-85.9%
Pell grants	32,111	27,001	5,110	18.9%
Interest income	625	905	(280)	-30.9%
Interest expense	(9,998)	(10,790)	792	-7.3%
Loss on Disposal of Assets	(5,147)	-	(5,147)	
Other non-operating revenue	2,837	2,879	(42)	-1.5%
Total Non-operating Revenue	98,299	96,907	1,392	1.4%
Other Revenues				
State, capital income	14,286	439	13,847	3154.2%
Local revenues, capital	11,527	11,899	(372)	-3.1%
Total Other Revenues	25,813	12,338	13,475	109.2%
Restatement		(102)	102	
Net Increase (Decrease) in Net Assets	\$ 7,875	\$ 4,150	\$ 3,725	89.8%

This schedule has been prepared from the Statement of Revenues, Expenses and Change in Net Assets presented on page 11.

Grant and contract revenues are comprised of 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. The reduction in revenue was related to the phase out of five sizable grants in fiscal year 2010-11. The increase in state capital revenue was due to the state the reimbursement of a state matched capital project that was in the construction phase.

The 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 District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 4.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(in thousands)**

Cash Provided by (Used in)	2011	2010	Change	% Change
Operating activities	\$ (109,909)	\$ (96,668)	\$(13,241)	13.7%
Noncapital financing activities	106,938	110,240	(3,302)	-3.0%
Capital financing activities	(14,150)	(40,059)	25,909	-64.7%
Investing activities	602	824	(222)	-26.9%
Net Increase (Decrease) in Cash	(16,519)	(25,663)	9,144	-35.6%
Cash, Beginning of Year	107,607	133,270	(25,663)	-19.3%
Cash, End of Year	\$ 91,088	\$107,607	\$(16,519)	-15.4%

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 expense of the District is the payment of salaries and benefits to instructional and classified support staff.

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

The change in capital financing activities is due to the decrease of cash used for the bond program. Overall, uses for the program decreased nearly 60% from \$26 million in prior year to \$11 million in 2010-11.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget as it addressed unexpected changes in revenues and expenditures.

While the District's final budget for the unrestricted general fund anticipated that expenditures would exceed revenues by \$3.8 million and the general reserve would be required to cover the deficit, the actual results for the year generated a savings of \$2.6 million in net operating results primarily due to changes in budget assumptions to state revenue that resulted in restoration funding and base apportionment funding for the District's grandfathered center.

District-wide student enrollment demand continues to increase, however due to the reduced FTES funding from the state, the District has decreased the number of sections offered. Consistent with prior years, not all of the FTES generated in the 2010-11 fiscal year were funded through the State apportionment funding process. The District has built a schedule of classes for 2011-12 to match the level of funding, but anticipates serving more students.

The District was able to maintain a reserve level in the unrestricted general fund well within the suggested guidelines set by the California Community Colleges Chancellor's Office and the minimum reserve level set by the San Joaquin Delta Community College District Board of Trustees.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

The District's 2011-12 General Fund Unrestricted Budget is based upon the following assumptions:

- The State will defund the community college system by \$517 million. This represents the “Tier 2” scenario. Impact on the District – a loss of \$6 million which is an estimated 1,240 FTES reduction.
- The District will develop an FTES target for 2011-12 closer to the “Best Case” to protect potential revenue enhancement. The target will be 15,000 funded FTES.
- A one-time deficit of .5% of approximately \$367,000 has been included in anticipation of a System shortfall in student fees of \$25 million.
- The budget anticipates mitigation of the deficit created by the state action over a three year period.
- The budget reflects SERP savings net of backfill costs for key positions in District operations.
- Funding reductions to categorical programs will result in reduced expenditures in those programs.

CONTACTING THE DISTRICT'S FINANCIAL 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 95207-6370.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS

Current assets:

Cash and investments (Note 2)	\$ 15,938,909
Receivables, net (Note 3)	22,127,055
Prepaid expenses	279,372
Stores inventory	<u>1,077,406</u>

Total current assets 39,422,742

Noncurrent assets:

Restricted cash and investments (Note 2)	75,149,415
Prepaid expenses	3,816,099
Non-depreciable capital assets (Note 4)	109,219,856
Depreciable capital assets, net (Note 4)	<u>101,500,034</u>

Total noncurrent assets 289,685,404

Total assets \$ 329,108,146

LIABILITIES

Current liabilities:

Accounts payable	\$ 8,369,710
Deferred revenue (Note 5)	2,280,162
Claims liability (Note 9)	3,898,419
Due to the Foundation	286,398
Due to other funds	266,475
Compensated absences payable (Note 7)	2,221,296
Premium on general obligation bonds - current portion (Note 7)	2,542,605
Long-term liabilities - current portion (Note 7)	<u>11,427,392</u>

Total current liabilities 31,292,457

Noncurrent liabilities:

Premium on general obligation bonds (Note 7)	14,719,449
Long-term liabilities - noncurrent portion (Note 7)	<u>177,433,573</u>

Total noncurrent liabilities 192,153,022

Total liabilities 223,445,479

Commitments and contingencies (Note 12)

NET ASSETS

Invested in capital assets, net of related debt	78,087,533
Restricted for capital projects and debt service	19,367,819
Restricted for other special purposes	6,362,428
Unrestricted	<u>1,844,887</u>

Total net assets 105,662,667

Total liabilities and net assets \$ 329,108,146

The accompanying notes are an integral
part of these financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

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

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS

Cash (Note 2)	\$	470,251
Investments (Note 2)		1,967,092
Investments related to split interest agreements (Note 2)		56,444
Prepaid expenses		5,000
Due from the District		<u>286,398</u>
Total assets	\$	<u><u>2,785,185</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$	9,135
Liability under split interest agreement		<u>30,109</u>
Total liabilities		<u>39,244</u>

NET ASSETS

Net assets:		
Unrestricted		(177,119)
Temporarily restricted		<u>2,923,060</u>
Total net assets		<u>2,745,941</u>
Total liabilities and net assets	\$	<u><u>2,785,185</u></u>

The accompanying notes are an integral
part of these financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2011

Operating revenues:	
Tuition and fees	\$ 12,365,015
Less: Scholarship discounts and allowances	<u>(7,646,744)</u>
Net tuition and fees	<u>4,718,271</u>
Grants and contracts, non-capital:	
Federal	13,572,447
State	12,151,073
Auxiliary enterprise sales and charges	<u>7,623,781</u>
Total operating revenues	<u>38,065,572</u>
Operating expenses (Note 14):	
Salaries and benefits (Notes 10 and 11)	79,351,755
Supplies, materials, and other operating expenses and services	67,941,120
Equipment, maintenance and repairs	821,491
Depreciation (Note 4)	<u>6,188,453</u>
Total operating expenses	<u>154,302,819</u>
Loss from operations	<u>(116,237,247)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	53,078,822
Local property taxes (Note 8)	24,386,905
State taxes and other revenues	404,655
Pell grants	32,111,417
Investment income, noncapital	602,059
Investment income, capital	22,726
Interest expense on capital asset-related debt, net	(9,997,482)
Loss on disposal of assets, net	(5,147,065)
Other non-operating revenues	<u>2,836,694</u>
Total non-operating revenues (expenses)	<u>98,298,731</u>
Loss before capital revenues	<u>(17,938,516)</u>
Capital revenues:	
State grants, capital	14,286,107
Local property taxes and revenues (Note 8)	<u>11,527,712</u>
Total capital revenues	<u>25,813,819</u>
Change in net assets	<u>7,875,303</u>
Net assets, July 1, 2010, as previously reported	97,889,218
Restatement (Note 16)	<u>(101,854)</u>
Net assets, July 1, 2010, as restated	<u>97,787,364</u>
Net assets, June 30, 2011	<u><u>\$ 105,662,667</u></u>

The accompanying notes are an integral
part of these 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, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 7,405	\$ 31,258	\$ 38,663
Special events		97,994	97,994
Memberships		18,161	18,161
Interest and dividend income		56,672	56,672
Realized and unrealized gains on investments		235,688	235,688
Other income		8,264	8,264
Net assets released from restrictions by payments	<u>143,226</u>	<u>(143,226)</u>	<u></u>
Total revenues	<u>150,631</u>	<u>304,811</u>	<u>455,442</u>
Expenses:			
Grants and related activities	114,806		114,806
Fundraising expenses	12,840		12,840
Operating expenses	<u>27,954</u>	<u></u>	<u>27,954</u>
Total expenses	<u>155,600</u>	<u></u>	<u>155,600</u>
(Decrease) Increase in net assets	<u>(4,969)</u>	<u>304,811</u>	<u>299,842</u>
Net assets, July 1, 2010	<u>(172,150)</u>	<u>2,618,249</u>	<u>2,446,099</u>
Net assets, June 30, 2011	<u><u>\$ (177,119)</u></u>	<u><u>\$ 2,923,060</u></u>	<u><u>\$ 2,745,941</u></u>

The accompanying notes are an integral
part of these financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

Cash flows from operating activities:	
Tuition and fees	\$ 4,276,933
Federal grants and contracts	14,457,560
State grants and contracts	10,838,814
Payments to employees	(76,417,659)
Payments to suppliers and vendors	(25,715,548)
Payments to students	(45,342,894)
Auxiliary enterprises sales and charges	<u>7,994,075</u>
Net cash used in operating activities	<u>(109,908,719)</u>
Cash flows from noncapital financing activities:	
State appropriations	50,630,595
Local property taxes	24,386,905
State taxes and other revenues	404,655
Pell grants	32,111,417
Due to other funds	(2,864,918)
Other receipts	<u>2,269,923</u>
Net cash provided by noncapital financing activities	<u>106,938,577</u>
Cash flows from capital and related financing activities:	
State apportionments for capital purposes	14,286,107
Net premium and bond issuance costs on debt	(1,822,669)
Purchase of capital assets	(28,237,281)
Proceeds from sale of capital assets	5,000
Principal paid on capital debt	(9,856,821)
Interest paid on capital debt, net	(75,240)
Interest on capital investments	22,726
Local revenue for capital purposes	<u>11,527,712</u>
Net cash used in capital and related financing activities	<u>(14,150,466)</u>
Cash flows from investing activities:	
Interest income	<u>602,059</u>
Net decrease in cash and investments	(16,518,549)
Cash and investments, July 1, 2010	<u>107,606,873</u>
Cash and investments, June 30, 2011	<u><u>\$ 91,088,324</u></u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2011

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (116,237,247)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	6,188,453
Changes in assets and liabilities:	
Receivables, net	77,551
Prepaid expenses	124,309
Inventories	746,422
Accounts payable	(3,497,190)
Deferred revenue	(1,326,990)
Claims liability	1,120,419
Compensated absences	32,098
Other liabilities	<u>2,863,456</u>
Net cash used in operating activities	<u>\$ (109,908,719)</u>
Noncash capital and related financing activities:	
Amortization of bond issuance costs	\$ 279,371
Capital assets acquired with capital lease	\$ 504,477

The accompanying notes are an integral part of these financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Student Trust Funds</u>	<u>Associated Student Agency Fund</u>
ASSETS		
Cash and investments (Note 2)	\$ 2,438,175	\$ 84,773
Due from District	<u>256,949</u>	<u>9,526</u>
Total assets	<u><u>\$ 2,695,124</u></u>	<u><u>\$ 94,299</u></u>
LIABILITIES		
Accounts payable	\$ 6,711	\$ 1,617
Deferred revenue	3,811	1,617
Amounts held for others	<u></u>	<u>92,682</u>
Total liabilities	<u>10,522</u>	<u>94,299</u>
NET ASSETS		
Net assets	<u>2,684,602</u>	<u></u>
Total liabilities and net assets	<u><u>\$ 2,695,124</u></u>	<u><u>\$ 94,299</u></u>

The accompanying notes are an integral
part of these financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2011

	<u>Student Trust Funds</u>
Additions:	
Events income	\$ 546,221
Student fees	20,211
Other local receipts	<u>506,336</u>
Total additions	<u>1,072,768</u>
Deductions:	
Salaries and benefits	157,186
Supplies and materials	27,915
Other operating expenses and services	316,394
Equipment, maintenance and repairs	6,016
Student awards and scholarships	<u>490,617</u>
Total deductions	<u>998,128</u>
Change in net assets	<u>74,640</u>
Net assets held in trust:	
Net assets, July 1, 2010	<u>2,609,962</u>
Net assets, June 30, 2011	<u><u>\$ 2,684,602</u></u>

The accompanying notes are an integral
part of these financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. 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 units.

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. 2100.138 and therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's financial statements.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only 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.

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. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Net Assets as unrestricted or temporarily restricted net assets based on the absence or existence of donor-imposed restrictions.

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

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

Cash

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less.

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 non current assets in the statement of net assets.

Fair Value of Investments

The District records its investment in San Joaquin County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Changes in Net Assets. The fair value of investments, including the San Joaquin County Treasury external investment pool, at June 30, 2011 approximated their carrying value.

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 Net Assets 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. The allowance was estimated at \$21,323 for the year ended June 30, 2011.

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.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. For equipment, the District's capitalization policy included 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 evaluates capital assets for financial impairment as events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable.

Compensated Absences

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

Accumulated Sick Leave

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

Deferred 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 deferred revenue until earned.

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: 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 invested in capital assets, net of related debt.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Restricted net assets: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net assets consist 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.

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

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

The Foundation's net assets are classified as follows:

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

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

Risk Management

As more fully described in Note 9, the District is partially self-insured with regard to liability and workers' compensation claims. The amount of the outstanding liability at June 30, 2011 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 the recalculation in February 2011 will be recorded in the year completed by the state.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Payments

GASB Cod. Sec. 2200.190-.191 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of \$1,197,595 (4.267% of salaries subject to CalSTRS).

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. 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: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations.

Nonoperating revenues: 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.

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. 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, such as Pell grants and other federal, state and nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2011, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 19,252,336	\$ 2,507,948
Deposits:		
Cash on hand and in banks	686,530	
Cash in revolving account	1,202,641	
Cash held by Fiscal Agent	<u>72,369,992</u>	
Total cash	<u>93,511,499</u>	<u>2,507,948</u>
Less: restricted cash:		
Cash held by Fiscal Agent	72,369,992	
Cash held in trust	<u>2,779,423</u>	
Total restricted cash	<u>75,149,415</u>	
Net cash	<u>\$ 18,362,084</u>	<u>\$ 2,507,948</u>
Investments	<u>\$ -</u>	<u>\$ 15,000</u>

Cash in County Treasury

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

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

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Cash in County Treasury (Continued)

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The San Joaquin County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2011.

Foundation cash at June 30, 2011 consisted of the following:

Cash in banks - restricted	\$ 147,382
Cash in County Treasury	<u>322,869</u>
Total cash and cash equivalents	<u>\$ 470,251</u>

Foundation investments at June 30, 2011 consisted of the following:

Money market funds	\$ 4,990
Corporate bonds	42,710
Equity securities	1,514,245
Mutual funds	221,186
Municipal securities	51,746
Certificates of deposit	50,070
U.S. Government obligations	<u>82,145</u>
Total investments	<u>\$ 1,967,092</u>

Cash with Fiscal Agent

Cash with Fiscal Agent of \$72,369,992 is held by a trustee for the improvement of campus facilities and debt service.

Custodial Credit Risk

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

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. Cash balances held in banks and revolving funds are insured up to \$250,000 by the National Credit Union Administration (NACU). At June 30, 2011, the carrying amount of the District's accounts were \$1,308,933, and the bank balances were \$1,489,992 of which \$324,247 was insured by the FDIC or NACU insurance and \$1,165,745 remained uninsured.

The Foundation maintains substantially all of its cash in banks and are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) as cash is held in interest bearing accounts. At June 30, 2011, the carrying amount and bank balance of the Foundation's cash in banks was \$147,382, all of which is insured by the FDIC.

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, 2011, 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, 2011, the District and Foundation had no concentration of credit risk.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

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, 2011, 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.

There were no changes in the valuation techniques used during the year ended June 30, 2011. The following table presents information about the Foundation's assets measured on a recurring basis as of June 30, 2011.

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>
Certificates of Deposit	\$ 50,070	\$ 50,070		
Money Market Funds	4,990	4,990		
Mutual Funds:				
Fixed Income	197,795	197,795		
Equity	23,391	23,391		
Corporate Equity Securities	1,514,245	1,514,245		
Corporate Debt Securities	42,710		\$ 42,710	
US Government & Municipal Securities	<u>133,891</u>		<u>133,891</u>	
Total	<u>\$ 1,967,092</u>	<u>\$ 1,790,491</u>	<u>\$ 176,601</u>	<u>\$ -</u>

There were no transfers of assets between the fair value levels for the year ended June 30, 2011.

Fair values for certificates of deposit, money market funds, mutual funds and corporate equity securities are based on quoted market prices in active markets for identical assets that the Foundation has the ability to access.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Foundation Investments (Continued)

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

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

The Foundation had no recurring liabilities at June 30, 2011, which were required to be disclosed using the fair value hierarchy.

The Foundation had no non recurring assets or liabilities at June 30, 2011, which were required to be disclosed using the fair value hierarchy.

3. RECEIVABLES

Receivables at June 30, 2011 are summarized as follows:

Federal	\$ 523,890
State	20,776,993
Local and other	<u>847,495</u>
	22,148,378
Less allowance for doubtful accounts	<u>(21,323)</u>
	<u><u>\$ 22,127,055</u></u>

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2010	Additions	Deductions	Transfers	Balance June 30, 2011
Non-depreciable:					
Land	\$ 8,926,574				\$ 8,926,574
Construction in progress	105,155,763	\$ 25,780,215	\$ (5,152,065)	\$ (25,490,631)	100,293,282
Depreciable:					
Building improvements	131,696,098			25,037,213	156,733,311
Machinery and equipment	14,971,773	2,961,543	(606,533)		17,326,783
Works of art	6,000				6,000
Infrastructure	<u>7,772,767</u>			<u>453,418</u>	<u>8,226,185</u>
Total	<u>268,528,975</u>	<u>28,741,758</u>	<u>(5,758,598)</u>		<u>291,512,135</u>
Less accumulated depreciation:					
Building improvements	(63,463,439)	(4,857,155)			(68,320,594)
Machinery and equipment	<u>(11,746,886)</u>	<u>(1,331,298)</u>	<u>606,533</u>		<u>(12,471,651)</u>
Total	<u>(75,210,325)</u>	<u>(6,188,453)</u>	<u>606,533</u>		<u>(80,792,245)</u>
Capital assets, net	<u>\$ 193,318,650</u>	<u>\$ 22,553,305</u>	<u>\$ (5,152,065)</u>	<u>\$ -</u>	<u>\$ 210,719,890</u>

5. DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Deferred Federal and State revenue	\$ 1,071,793
Deferred tuition and student fees	1,131,045
Deferred local grant revenue and other	<u>77,324</u>
Total deferred revenue	<u>\$ 2,280,162</u>

6. TAX REVENUE ANTICIPATION NOTES

Tax Revenue Anticipation Notes (TRANs) are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANs activity for the year ended June 30, 2011 is as follows:

	Outstanding July 1, 2010	Additions	Deletions	Outstanding June 30, 2011
Series 2010 - 2.0% Tax Revenue Anticipation Note	<u>\$ -</u>	<u>\$ 14,860,000</u>	<u>\$ 14,860,000</u>	<u>\$ -</u>

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES

General Obligation Bonds

During February 2005, the District issued the 2004 General Obligation Bonds in the amount of \$90,000,000. The bonds mature beginning on August 1, 2007 through August 1, 2029, with interest yields ranging from 2.25 to 4.13 percent. At June 30, 2011, the principal outstanding was \$21,025,000 and unamortized premium and issuance costs were \$4,200,245 and \$1,357,796, respectively. Premium and issuance costs are amortized over the life of the bonds.

The bonds are being used to finance the acquisition, construction and modernization of certain District property and facilities and to advance refund the 1995 and 2003 certificates of participation and to prepay the outstanding principal on the energy service contract lease agreement. A balance of \$9,552,077 was placed in an irrevocable escrow account for the future redemption of the certificate of participation bonds. As the advance refunding has met the requirements of an in-substance defeasance, debt obligations outstanding of \$9,245,000 for the bonds have been removed as long-term obligations of the District. The 1995 and 2003 certificates of participation have been paid in full.

The annual payments required to amortize the 2004 General Obligation Bonds outstanding as of June 30, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,760,000	\$ 823,701	\$ 3,583,701
2013	2,850,000	723,663	3,573,663
2014	2,945,000	613,013	3,558,013
2015	3,040,000	494,913	3,534,913
2016	3,145,000	368,250	3,513,250
2017-2021	1,790,000	1,291,769	3,081,769
2022-2026	2,240,000	825,188	3,065,188
2027-2030	<u>2,255,000</u>	<u>224,838</u>	<u>2,479,838</u>
	<u>\$ 21,025,000</u>	<u>\$ 5,365,335</u>	<u>\$ 26,390,335</u>

During June 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$57,922,710. The bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting \$41,027,290, and an aggregate principal debt service balance of \$98,950,000. The bonds mature beginning on August 1, 2006 through August 1, 2017, with interest yields ranging from 3.68 to 4.58 percent. At June 30, 2011, the principal outstanding was \$32,100,033 and the reoffering premium of \$10,231,894. The unamortized issuance costs at June 30, 2011 amounted to \$633,075. The bond issuance costs are amortized over the term of the bond.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The bonds are being used to advance refund a portion of the 2004 General Obligation Bonds. A balance of \$57,952,165 was placed in an irrevocable escrow account for the future redemption of \$55,265,000 of the \$90,000,000 2004 General Obligation Bonds. As the advance refunding has met the requirements of an in-substance defeasance, debt obligations of \$55,265,000 for the bonds have been removed as long-term obligations of the District. The aggregate difference in debt service between the refunded portion of debt and the debt associated with the 2006 General Obligation Refunding Bonds, reflect savings to the District of \$3,359,663. As of June 30, 2011, the balance remaining in the escrow account was \$42,331,927.

The annual payments required to amortize the 2006 General Obligation Refunding Bonds outstanding as of June 30, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,353,958	\$ 1,446,042	\$ 7,800,000
2013	4,540,232	3,879,768	8,420,000
2014	4,218,534	4,436,466	8,655,000
2015	3,914,464	4,970,536	8,885,000
2016	3,837,042	5,797,958	9,635,000
2017-2018	<u>9,235,803</u>	<u>17,779,197</u>	<u>27,015,000</u>
	<u>\$ 32,100,033</u>	<u>\$ 38,309,967</u>	<u>\$ 70,410,000</u>

During July 2008, the District issued the 2004 General Obligation Bonds, Series 2008 B, in the amount of \$92,000,582. The bonds were issued as current interest bonds, with a value of \$5,455,000, and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$137,189,418, and an aggregate principal debt service balance of \$223,735,000. The bonds mature beginning on August 1, 2011 through August 1, 2032, with interest yields ranging from 3.00 to 8.70% percent. At June 30, 2011, the principal outstanding was \$90,415,582 and unamortized premium and issuance costs were \$2,829,915 and \$2,104,600, respectively. Premium and issuance costs are amortized over the life of the bonds.

The bonds are being used to finance the acquisition, construction and modernization of certain District property and facilities.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual payments required to amortize the 2004 General Obligation Bonds, Series 2008 B outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 800,000	\$ 142,075	\$ 942,075
2013	415,000	120,813	535,813
2014	540,000	104,100	644,100
2015	725,000	76,525	801,525
2016	450,000	49,400	499,400
2017-2021	21,902,755	23,499,318	45,402,073
2022-2026	32,625,213	42,621,883	75,247,096
2027-2031	25,052,937	53,875,418	78,928,355
2032-2033	<u>7,904,677</u>	<u>17,226,999</u>	<u>25,131,676</u>
	<u>\$ 90,415,582</u>	<u>\$ 137,716,531</u>	<u>\$ 228,132,113</u>

Capital Leases

In November 2010, the District entered into a capital lease purchase agreement with Mercedes-Benz Financial Services USA LLC, for \$504,477 to finance the purchase of a District charter bus. At June 30, 2011, the asset acquired under capital lease was recorded at a cost of \$509,477, net of accumulated depreciation of \$36,391. The District is required to make semi-annual lease payments of principal and interest in conjunction with the capital leases.

Scheduled payments for the capital lease are as follows:

Year Ending June 30,	Lease Payment
2012	\$ 78,384
2013	78,384
2014	78,384
2015	78,384
2016	78,384
2017	<u>78,384</u>
Total payments	\$ 470,304
Less amount representing interest	<u>(38,057)</u>
Net present value of minimum payments	<u>\$ 432,247</u>

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

A schedule of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
General Obligation Bonds	\$ 153,325,206		\$ (9,784,591)	\$ 143,540,615	\$ 9,913,958
Premium on General Obligation Bonds	19,364,094		(2,102,040)	17,262,054	2,542,605
Capital leases		\$ 504,477	(72,230)	432,247	67,392
Compensated absences	2,189,198	32,098		2,221,296	2,221,296
Net OPEB (Note 11)	7,455,204	7,049,685	(4,186,229)	10,318,660	
Accreted interest	24,647,201	14,190,543	(4,268,301)	34,569,443	1,446,042
	<u>\$ 206,980,903</u>	<u>\$ 21,776,803</u>	<u>\$ (20,413,391)</u>	<u>\$ 208,344,315</u>	<u>\$ 16,191,293</u>

8. PROPERTY TAXES

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

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

9. RISK MANAGEMENT

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

Excess coverage is provided by the Statewide Association of Community Colleges (SWACC). SWACC is a joint powers authority 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. Should excess liability claims exceed amounts funded to SWACC by all participants, 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.

The District is self-insured for workers' compensation losses. The District has received a Certificate to Self-Insure from the State of California. The District is responsible for claims less than \$150,000 and greater than \$25,000,000. Claims in excess of the \$150,000 self-insurance limit are funded through Schools Alliance for Workers' Compensation Excess (SWACX II). Premiums of \$21,984 were made to SWACX II during the year ended June 30, 2011. The District contracted with third party administrator, Keenan & Associates, to manage claims.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. RISK MANAGEMENT (Continued)

The claims liability activity for the liability and workers' compensation programs for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Liability balance, beginning of year	\$ 2,778,000	\$ 2,023,155
Claims and changes in estimates	2,679,846	1,074,831
Claims payments	<u>(1,559,427)</u>	<u>(319,986)</u>
Liability balance, end of year	<u>\$ 3,898,419</u>	<u>\$ 2,778,000</u>

10. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, CA 95605.

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, postretirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. Disability benefits of up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,319,318, \$2,499,825 and \$2,771,991, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2010-2011 was 10.707% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$2,103,784, \$2,114,628 and \$2,225,323, respectively, and equaled 100 percent of the required contributions for each year.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Annual required contribution	\$ 6,936,960
Interest on net OPEB obligation	372,760
Adjustment to annual required contribution	<u>(260,035)</u>
Annual OPEB cost (expense)	7,049,685
Contributions made	<u>(4,186,229)</u>
Increase in net OPEB obligation	2,863,456
Net OPEB obligation - beginning of year	<u>7,455,204</u>
Net OPEB obligation - end of year	<u><u>\$ 10,318,660</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 6,936,960	51.4%	\$ 3,567,081
June 30, 2010	\$ 7,115,314	45.4%	\$ 7,455,204
June 30, 2011	\$ 7,049,685	59.4%	\$ 10,318,660

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of October 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The unfunded actuarial accrued liability for benefits was \$107.4 million and the covered payroll (annual payroll of active employees covered by the Plan) was \$27,936,170 resulting in a ratio of the unfunded actuarial accrued liability to the covered payroll of 384 percent.

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

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

In the October 1, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates include a 3.0 percent salary increase assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 27 years.

12. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

The District is subject to legal proceedings and claims which arise in the ordinary course of business. At June 30, 2011, the District has specifically reserved \$975,000 for ongoing and unsettled litigation. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District outside of those amounts specifically reserved for.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

12. COMMITMENTS AND CONTINGENCIES (Continued)

Contingent Liabilities (Continued)

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect.

The District leases office facilities from an unrelated third party under a non-cancelable operating lease that expires December 2011. At June 30, 2011, the remaining future minimum lease payment of \$88,234, is payable in December 2011.

Construction Commitments

As of June 30, 2011, the District has approximately \$26.9 million in outstanding commitments on construction contracts.

13. JOINT POWERS AGREEMENTS

San Joaquin Delta Community College District participates in public entity risk pools joint power agreements (JPAs), with Schools Alliance for Workers' Compensation Excess (SAWCX II) 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.

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 SAWCX II provide workers' compensation and property and liability insurance for its members. San Joaquin Delta Community College District pays a premium commensurate with the level of coverage requested.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

13. JOINT POWERS AGREEMENTS (Continued)

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

	SAWCX II June 30, 2011	SWACC June 30, 2010
Total assets	\$ 20,864,524	\$ 46,019,292
Total liabilities	\$ 19,451,046	\$ 21,417,925
Net assets	\$ 1,413,478	\$ 24,601,367
Total revenues	\$ 1,770,253	\$ 11,118,079
Total expenses	\$ 4,147,979	\$ 12,547,315
Change in net asset	\$ (2,377,726)	\$ (1,429,236)

14. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2011.

Functional Classifications	Salaries and Benefits	Supplies, Materials and Other Operating Expenses and Services	Equipment, Maintenance and Repairs	Depreciation	Total
Instruction	\$ 37,352,424	\$ 2,223,601	\$ 1,783,305		\$ 41,359,330
Academic Support	5,860,302	476,408	258,652		6,595,362
Student Services	11,245,310	1,021,549	224,767		12,491,626
Operations and Maintenance of Plant	4,378,003	2,912,944	122,962		7,413,909
Institution Support	15,454,337	8,373,076	245,574		24,072,987
Community Support	2,968,767	889,788	87,544		3,946,099
Ancillary Services	2,092,612	5,786,670	416,961		8,296,243
Student Aid		46,136,076			46,136,076
Physical Property		121,008	(2,318,274)		(2,197,266)
Depreciation				\$ 6,188,453	6,188,453
	<u>\$ 79,351,755</u>	<u>\$ 67,941,120</u>	<u>\$ 821,491</u>	<u>\$ 6,188,453</u>	<u>\$ 154,302,819</u>

15. SUBSEQUENT EVENTS

In July 2011, the District issued \$14,272,000 of TRANs maturing on June 29, 2012, with interest at 2.0% to provide for cash flow deficits during the fiscal year. The notes are a general obligation of the District and are payable solely from revenues and cash receipts generated by the District during the fiscal year ending June 30, 2012.

16. RESTATEMENT

During the year ended June 30, 2011, it was determined that the District's fiduciary trust funds were not reported within the net assets of the District. Accordingly, net assets were increased by \$5,215,224 to report the activity of these funds as of July 1, 2010.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

16. RESTATEMENT (Continued)

During the year ended June 30, 2011, it was determined that the District was using a straight-line basis to amortize General Obligation Bond premiums instead of using an effective interest method. Accordingly, net assets were decreased by \$2,159,186 to restate general obligation premiums as of July 1, 2010.

Further, it was determined that the calculation of accreted interest on the District's capital appreciation bonds was based on payment date and not prorated for a June 30 fiscal year-end. Accordingly, net assets were decreased by \$3,157,892 to restate the liability for accreted interest as of July 1, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2011

Schedule of Funding Progress							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2009	October 1, 2008	\$ -	\$ 107,368,125	\$ 107,368,125	0%	\$ 42,456,917	246%
6/30/2010	October 1, 2008	\$ -	\$ 107,368,125	\$ 107,368,125	0%	\$ 52,746,321	204%
6/30/2011	October 1, 2008	\$ -	\$ 107,368,125	\$ 107,368,125	0%	\$ 27,936,170	384%

The accompanying notes are an integral
part of these financial statements.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2011

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, which provides collegiate level instruction to over 21,000 students across a wide spectrum of subjects. The District is accredited by the Western Association of Schools and Colleges (WASC), which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States. The District's one college is accredited by the Western Association of Schools and Colleges.

The Governing Board and District Administration for the fiscal year ended June 30, 2011 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Dr. Teresa Brown	President	2012
Janet Rivera	Vice President	2014
C. Jennet Stebbins	Clerk	2012
Steve Castellanos	Member	2012
Dr. Mary Ann Cox	Member	2012
Taj M. Khan	Member	2014
Lisa Turner	Member	2014

DISTRICT ADMINISTRATION

Dr. Jeff Marsee
Superintendent / President

Dr. Kathleen Hart
Assistant Superintendent, Vice President, Instruction

Vacant
Vice President of Business Services

Mr. Mark Mekjavich
Interim Vice President of Student Services

Mr. Vince Brown
Vice President, Human Resources and Employee Relations

Mr. Lee Belarmino
Vice President, Information Technology

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
<i>Direct Programs:</i>		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Program (FSEOG)	84.007	\$ 455,179
College Work-Study Program	84.033	345,546
Federal Pell Grants (PELL)	84.063	32,111,417
Federal Pell Administrative	84.063	41,765
Academic Competitiveness Grant	84.375	110,233
Federal Direct Loan Program	84.268	<u>10,066,579</u>
Subtotal Financial Aid Cluster		<u>43,130,719</u>
<i>Passed through California Community College Chancellor's Office:</i>		
Career and Technical Education - Basic Grants to States	84.048	1,083,766
VTEA Title II - Tech Prep	84.243	69,461
<i>Direct Programs:</i>		
Higher Education Institutional Aid Cluster:		
Higher Education Institutional Aid (CCRAA)	84.031C	417,304
Higher Education Institutional Aid: Title V - Developing Hispanic - Serving Institution Program	84.031S	<u>162,627</u>
Subtotal Higher Education Institutional Aid Cluster		<u>579,931</u>
TRIO - Student Support Services	84.042A	25,812
Rehab Services - California Department of Rehabilitation Workability	84.126A	73,150
Fund for the Improvement of Postsecondary Education	84.116W	199,162
Rehabilitation Services- Vocational Rehabilitation Grants to States, Recovery Act	84.390A	8,911
Veterans Education	84.064	2,464
State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	<u>59,759</u>
Total U.S. Department of Education		<u>45,233,135</u>
<u>Small Business Administration</u>		
<i>Passed through California State University, Chico:</i>		
Small Business Development Center Cluster:		
Small Business Development Centers	59.037	172,623
Small Business Development Center Job Funds	59.037	<u>2,617</u>
Subtotal Small Business Development Center Cluster		<u>175,240</u>

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through California Department of Education:		
Child and Adult Care Food Program	10.558	\$ 93,079
Schools and Roads- Grants to States (Forest Reserve)	10.665	<u>644</u>
Total U.S. Department of Agriculture		<u>93,723</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through California Community College Chancellor's Office:		
Temporary Assistant to Needy Families (TANF)	93.558	158,353
Direct Programs:		
Child Care and Development Block Grant	93.575	913
Youth Empowerment Strategies for Success	93.658	<u>22,500</u>
Total U.S. Department of Health and Human Services		<u>181,766</u>
Total Federal Programs		<u>\$ 45,683,864</u>

See accompanying notes to
supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2011

	Program Entitlements			Program Revenues				Program Expend- itures
	Prior Year Carry- forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	
Basic Skills One-Time Funds	\$ 509,652	\$ 174,753	\$ 684,405	\$ 684,405		\$ 406,299	\$ 278,106	\$ 278,106
BFAP - SFAA	56,400	661,279	717,679	717,679		102,840	614,839	614,839
Block Grant	447,902		447,902	447,902		183,212	264,690	264,690
Cal Grants		2,035,893	2,035,893	2,035,893		23	2,035,870	2,035,870
CalWORKs		507,016	507,016	530,825		29,502	501,323	501,323
CalWORKs Assessment	94,664	186,200	280,864	279,164		76,926	202,238	202,238
CalWORKs Regional Effort		10,000	10,000	10,000		277	9,723	9,723
California State Preschool Program		650,000	650,000	650,815		24,300	626,515	626,515
CARE	44,933	204,997	249,930	249,930		8,651	241,279	241,279
Career Tech Education - Enrollment Growth	144,853	260,687	405,540	303,005	\$ 7,398		310,403	310,403
CDC Facilities Renovation and Repair		50,000	50,000	11,112		11,112		
Child Care Food Program		5,885	5,885	4,750	182		4,932	4,932
CTE Reg. Collab. Workforce innovative Project		40,000	40,000	7,000	33,000		40,000	40,000
CTE III Valley Sierra Regional Collab. Project		74,400	74,400	50,027	24,373		74,400	74,400
DHH Allowance	52	174,176	174,228	174,228			174,228	174,228
DSPS Handicapped Allowance	9,075	821,950	831,025	831,025		177	830,848	830,848
E/Fee Admin (2%)		112,671	112,671	112,671			112,671	112,671
Entrep. Career Pathway Projects 172-036	60,958		60,958	60,958			60,958	60,958
Extended Opportunity Program and Services (EOPS)	182,518	1,038,933	1,221,451	1,221,451		26,726	1,194,725	1,194,725
Faculty and Staff Diversity	64,664	8,161	72,825	72,825		8,064	64,761	64,761
Foster Care - San Joaquin County		16,990	16,990	16,990			16,990	16,990
Foster Care Education		172,346	172,346	111,752	60,594		172,346	172,346
Fund for Student Success - MESA	5,048	50,500	55,548	42,923	6,686		49,609	49,609
Fund for Student Success - Middle College		99,454	99,454	39,782	59,660		99,442	99,442
General Child Care Dev Programs		511,620	511,620	389,842		48,461	341,381	341,381
Lottery		2,157,049	2,157,049	1,012,170	1,144,879		2,157,049	2,157,049

(Continued)

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

(Continued)

For the Year Ended June 30, 2011

	Program Entitlements			Program Revenues			Program Expend- itures
	Prior Year Carry- forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	
Matriculation	\$ 175,284	\$ 491,579	\$ 666,863	\$ 651,911			\$ 651,911
Matching Funds from CA Business, Transportation and Housing Auth.		105,500	105,500		\$ 105,500		105,500
Non-Credit Matriculation	38,887	61,788	100,675	100,675			100,675
Part-Time Faculty Allocation		358,255	358,255	358,255			358,255
Psychological Tech Services		262,500	262,500	225,000		\$ 107,561	117,439
Statewide Strategic Initiative Hub	82,584		82,584	82,584			82,584
Student Financial Assistance Programs (03 & 04)	69,521	196,320	265,841	123,580	41,887		165,467
Tech Prep Pipeline	21,500		21,500	21,500			21,500
TTIP 4CNET	67,393		67,393	67,393		67,393	
TTIP Technology Access	13,468		13,468	13,468		13,468	
TTIP Video Conference	4,192		4,192	4,192		4,192	
Walter Johnson Foundation Grant	20,333		20,333	20,333		585	19,748
Total State Programs	\$ 2,113,881	\$ 11,500,902	\$ 13,614,783	\$ 11,738,015	\$ 1,484,159	\$ 1,119,769	\$ 12,102,405

See accompany notes to
supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

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

Annual Attendance as of June 30, 2011

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2010 only)			
1. Noncredit	2		2
2. Credit	1,128		1,128
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Noncredit	-		-
2. Credit	320		320
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	10,340		10,340
b. Daily Census Contact Hours	860		860
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	134		134
b. Credit	1,190		1,190
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	1,905		1,905
b. Daily Census Contact Hours	421		421
c. Noncredit Independent Study/ Distance Education Courses	-		-
D. Total FTES	<u>16,300</u>	<u>-</u>	<u>16,300</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	116		116
b. Credit	828		828
<u>CCFS 320 Addendum</u>			
CDCP	-		-
Centers FTES			
a. Noncredit	-		-
b. Credit	1,275		1,275

See accompanying notes to
supplementary information.

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

For the Year Ended June 30, 2011

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

See accompanying notes to
supplementary information.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Expenditures of Federal Awards

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

B - Schedule of State Financial Awards

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

C - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

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

**INDEPENDENT AUDITORS' REPORT
ON STATE COMPLIANCE REQUIREMENTS**

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

We have audited the compliance of San Joaquin Delta Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of San Joaquin Delta Community College District's management. Our responsibility is to express an opinion on San Joaquin Delta Community College District's compliance based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about San Joaquin Delta Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of San Joaquin Delta Community College District's compliance with those requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the *Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM)*:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Gann Limit Calculation
- Enrollment Fee
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees-Instructional Materials and Health Fees
- Economic and Workforce Development (EWD)
- Extended Opportunity Programs and Services (EOPS)
- Disabled Student Programs and Services (DSPS)
- Cooperative Agencies Resources for Education (CARE)
- Preference for Veterans and Qualified Spouse for Federally Funded Qualified Training Programs
- To Be Arranged Hours (TBA)

**INDEPENDENT AUDITORS' REPORT
ON STATE COMPLIANCE REQUIREMENTS**

(Continued)

In our opinion, the San Joaquin Delta Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2011. Further, based on our audit, for items not tested, nothing came to our attention to indicate that San Joaquin Delta Community College District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board of Trustees, District management, and the Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Sacramento, California
December 29, 2011

**INDEPENDENT AUDITORS' 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 the business-type activities of San Joaquin Delta Community College District as of and for the year ended June 30, 2011 which comprise San Joaquin Delta Community College District's basic financial statements, and have issued our report thereon dated December 29, 2011. 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. The financial statements of Delta College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of San Joaquin Delta College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered San Joaquin Delta Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Joaquin Delta Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Audit Findings and Questioned Costs as Findings 2011-01, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2011-01 to be a material weaknesses. We also noted other matters involving internal control that we have communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Findings 2011-02, 2011-03, 2011-04, 2011-05 and 2011-06.

**INDEPENDENT AUDITORS' 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**

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Joaquin Delta Community College District's basic 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*.

San Joaquin Delta Community College District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's responses and, accordingly, express no opinion on them.

This report is intended for the information of the Board of Trustees, District management, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Sacramento, California
December 29, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited San Joaquin Delta Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Joaquin Delta Community College District's major Federal programs for the year ended June 30, 2011. San Joaquin Delta Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of San Joaquin Delta Community College District's management. Our responsibility is to express an opinion on San Joaquin Delta Community College District's compliance based on our audit.

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 obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Joaquin Delta Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on San Joaquin Delta Community College District's compliance with those requirements.

In our opinion, San Joaquin Delta Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

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 requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered San Joaquin Delta Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Joaquin Delta Community College District's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of District management, the Board of Trustees, and the federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Sacramento, California
December 29, 2011

FINDINGS AND RECOMMENDATIONS

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?

	<u> </u> Yes	<u> X </u> No
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.375, 84.268	Student Financial Aid Cluster

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

Auditee qualified as low-risk auditee? Yes X No

STATE AWARDS

Internal control over state programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported

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

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-01 MATERIAL WEAKNESS - BUSINESS TYPE ACTIVITIES FINANCIAL REPORTING

Criteria

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

Condition

- The District's general obligation bond premiums were amortized on a straight-line basis which materially varied from the amortization of premiums under the interest method. In accordance with Accounting Principles Board (APB) Opinion No. 21, bond premiums should be amortized over the life of the bond in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period. However, other methods of amortization may be used if the results obtained are not materially different from those which result from the "interest" method.
- The calculation of accreted interest on the District's capital appreciation bonds was based on payment date and not prorated to a June 30 fiscal year-end.
- The activity of the District's fiduciary other trust fund had not been included in the District wide Statement of Revenues, Expenses and Change in Net Assets. Based on the purpose of the fiduciary fund being for the operations of the District, the fund should be presented within the District wide financial statements.

Effect

As of July 1, 2010, the District's general obligation bond premiums and liability for accreted interest were understated by \$2,159,186 and \$3,157,892, respectively. The District's net assets as of July 1, 2010 were understated by \$5,215,224 for the activity of its other trust fund.

Cause

The District did not establish the requisite internal control procedures.

Fiscal Impact

The District's net assets on the Statement of Net Assets were overstated by \$101,854 at July 1, 2010.

Recommendation

Upon the issuance of debt, the District should analyze the amortization of any premiums or discounts under the interest method and the calculation of accreted interest based on a June 30 fiscal year-end. Additionally, the District should ensure all funds are recorded based on their nature and purpose.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-01 MATERIAL WEAKNESS - BUSINESS TYPE ACTIVITIES FINANCIAL REPORTING
(Continued)

Corrective Action Plan

District Fiscal Services has in place established procedures to ensure the accurate financial reporting of all funds according to state required financial reporting requirements. The controls surrounding the amortization of premiums, proration of accreted interest and trust fund activity have been consistent for recent years. The District has never received notice of reporting exceptions until this fiscal year. Additional procedures to confirm the treatment of fund classification and balance sheet classification prior to issuing the GASB prepared financial statements will also be established.

2011-02 DEFICIENCY - ASSOCIATED STUDENT BODY GOVERNMENT (ASBG)

Criteria

Best practices for internal controls and District Policies and Procedures.

Condition

- Flea Market Recap reports detailing revenue generated from the ASBG Flea Market were not fully completed and were not formally reviewed.
- Cash collected shows no evidence of being counted in dual custody.
- Formal receipts could not be provided evidencing deposits made with Vault Services.
- Sub-receipt books are not utilized by the individual clubs for the initial collection and tracking of cash receipts.
- Policies and procedures are not in place to formally approve fundraising activities of the student clubs.
- Board minutes supporting the approval of expenditure activities within the individual clubs could not be provided.
- Purchase orders and/or invoices could not be provided for one expenditure transaction.
- An expenditure log is not maintained by ASBG personnel to ensure all transactions are recorded.

Effect

Potential for misappropriation of assets.

Cause

Adequate internal controls have not been effectively designed or implemented.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-02 DEFICIENCY - ASSOCIATED STUDENT BODY GOVERNMENT (ASBG)
(Continued)

Fiscal Impact

Not applicable.

Recommendation

- All Flea Market Recap reports should be fully completed and reviewed in a timely manner.
- All cash receipts should evidence that cash is counted in dual custody prior to deposit.
- A formal process for the handling of Vault Service receipts should be implemented to ensure all support is maintained and reviewed.
- Pre-numbered receipts and/or the use of revenue generation forms detailing quantity of items sold should accompany all funds submitted for deposit by student clubs.
- Policies and procedures should be implemented to ensure that fundraising activities are approved by the appropriate personnel.
- Board minutes should be maintained to evidence the review and approval by the student clubs.
- A formal process should be implemented to obtain receipts and invoices for all purchases, both regular and advances. Student clubs should maintain their own detailed records to reconcile with records maintained by Vault Services.

Corrective Action Plan

District Student Services leadership has implemented a comprehensive budget and finance policy for all clubs and held training for the student club advisors and student club leadership to establish guidelines and procedures for revenue control, cash handling, disbursements, purchases approvals and record maintenance to ensure transactions are in compliance with District policies and procedures. The District has recently determined that it must take a more direct, active role in the administration of flea market activities. Changes have been made to reflect this higher level of involvement.

2011-03 DEFICIENCY - BOOKSTORE INVENTORY

Criteria

Internal Control - Safeguarding of Assets.

Condition

Manual changes to the Bookstore's inventory by the staff are not reviewed and approved by the Bookstore Manager.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-03 DEFICIENCY - BOOKSTORE INVENTORY (Continued)

Effect

Potential for misappropriation of assets.

Cause

Adequate internal controls have not been effectively designed or implemented.

Fiscal Impact

Not applicable.

Recommendation

The District should implement procedures which prevent manual changes to the inventory control system without approval from the Bookstore Manager.

Corrective Action Plan

District Fiscal Services will implement control procedures and work with the new bookstore management to ensure all changes to bookstore's inventory are reviewed.

2011-04 DEFICIENCY - CAPITAL LEASES

Criteria

Internal Control - Financial Reporting

Condition

The District did not properly account for a capital lease transaction entered into during the year.

Effect

The District's total assets and liabilities and revenues were understated.

Cause

The District does not have sufficient internal controls in place to ensure lease agreements classified as capital are properly recorded.

Fiscal Impact

Not applicable as the District recorded the asset and liability of approximately \$504,000 for the year ended June 30, 2011.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-04 DEFICIENCY - CAPITAL LEASES (Continued)

Recommendation

Proper controls and procedures should be implemented to identify and account for lease transactions entered into.

Corrective Action Plan

District Purchasing and Stock Control has developed additional follow up procedures to ensure proper recording of capital leases.

2011-05 DEFICIENCY - BOOKSTORE BUY-BACK ACTIVITY

Criteria

Internal Control - Safeguarding of Assets.

Condition

The District did not record bookstore buy-back activity for the month of May 2011 to the General Ledger.

Effect

The misstatement of assets within the bookstore's financial statements.

Cause

Internal control policies and procedures at the bookstore were not operating effectively to identify the unrecorded transactions.

Fiscal Impact

Total assets are overstated by \$216,000.

Recommendation

The District should ensure that cash controls surrounding the bookstore buy-back program are properly designed. Further, the District should perform a physical count as of June 30 of the bookstore cash on hand to ensure that the General Ledger balance reconciles with the physical assets on hand.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-05 DEFICIENCY - BOOKSTORE BUY-BACK ACTIVITY (Continued)

Corrective Action Plan

District Fiscal Services will work with the Bookstore staff to implement stronger controls around the cash handled with the bookstore buy-back program.

2011-06 DEFICIENCY - ACCRUED BENEFITS

Criteria

Internal Control - Safeguarding of Assets.

Condition

The District did not accurately accrue for benefits expense related to full-time employees who elected to be paid over 10 months. The District did not reconcile the accrued benefits liability when the annual benefits payment was made.

Effect

The District's liabilities and expense are understated by \$554,858.

Cause

Internal control policies and procedures are not in place for the accurate recording of accrued benefits expense related to employees on a 10 month pay cycle and for the reconciliation of the accrued benefits liability.

Fiscal Impact

Liabilities and expense are understated by \$554,858.

Recommendation

The District should improve the process for the calculation and recording of benefits expense for those employees on a 10 month pay cycle. Additionally, the District should ensure the benefits liability account is reconciled at June 30.

Corrective Action Plan

District Fiscal Services has established a process compatible with the newly implemented financial system to track benefits expense for each employee type and will reconcile the benefits liability accounts monthly.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

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, 2011

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
<p>2010-01</p> <ul style="list-style-type: none"> There are no other personnel trained to perform the Payroll Officer's responsibilities in their absence. There is no evidence of secondary review and approval of the Payroll Proof prior to processing payroll. There is no evidence of review of the Payroll Proof against the check register by the Payroll Department. <p>We recommend the following:</p> <ul style="list-style-type: none"> Adequate segregation of duties should be maintained. Further, other District employees should be cross-trained to understand the procedures to complete payroll transactions in the absence of the Payroll Officer. The District should implement procedures to ensure documentation regarding the secondary review and authorization of payroll is obtained prior to processing payroll. The Payroll Department should maintain evidence demonstrating that the check register is reviewed against the final Payroll Proof. 	Implemented.	
<p>2010-02</p> <ul style="list-style-type: none"> Payment Request Forms are not properly authorized by three separate individuals. Flea Market Recap reports detailing revenue generated from the ASBG Flea Market are not formally reviewed. <p>We recommend the following:</p> <ul style="list-style-type: none"> All Payment Request Forms should be signed by the proper individuals. All Flea Market Recap reports should be reviewed in a timely manner. 	Partially implemented.	See current year finding 2011-02.

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2011

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2010-03 Manual changes to the Bookstore's inventory by the staff are not reviewed and approved by the Bookstore Manager. The District should implement procedures which prevent manual changes to the inventory control system without approval from the Bookstore Manager.	Not implemented.	See current year finding 2011-03.
2010-04 <ul style="list-style-type: none">• Sub-receipt books are not utilized by the clubs for the collection of cash.• Payment Request Forms are not authorized by three separate individuals, in accordance with the District's policies. We recommend the following: <ul style="list-style-type: none">• Pre-numbered receipts and/or the use of revenue generation forms detailing the quantity of items sold should accompany all funds submitted for deposit.• Payment Request Forms should be authorized by the appropriate individuals.	Partially implemented.	See current year finding 2011-02.
2010-05 <ul style="list-style-type: none">• There is no master list to track approved vendors or periodic review of vendors utilized by the Bookstore.• Purchase orders are not properly authorized by the Bookstore Manager. We recommend the following: <ul style="list-style-type: none">• A master vendor list should be created and periodically reviewed to ensure all purchases are made from valid vendors.• All purchase orders should be reviewed and approved by the Bookstore Manager prior to purchasing.	Implemented.	

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
(Continued)
Year Ended June 30, 2011

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2010-06	Implemented.	
The District's GANN Limit Worksheet for 2009-2010 did not utilize the appropriate beginning balance. The District did not update the beginning appropriations limit for prior year's audit finding.		
The District should implement review procedures to ensure all factors used in calculating the District's Gann Limit are correctly stated.		