

# **Southwestern Community College District**

Chula Vista, California

## **Basic Financial Statements, Single Audit, State Compliance and Other Supplementary Information with Independent Auditors' Reports**

*For the Year Ended June 30, 2015*



# Southwestern Community College District

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# Southwestern Community College District

## Introductory Section

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Southwestern Community College District is located in Chula Vista, San Diego County. The District presently operates one primary campus in Chula Vista with extension sites in Otay Mesa, San Ysidro and National City. There have been no changes in the District's boundaries during the current year.

The Governing Board for the fiscal year ended June 30, 2015 was composed of the following members:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Norma L. Hernandez	President	November 2018
Nora E. Vargas	Vice President	November 2018
Griselda Delgado	Board Member	November 2016
Tim Nader	Board Member	November 2018
Humberto Peraza, Jr.	Board Member	November 2016
Melissa Rodriguez	Student Board Member	May 2016

The Executive and Senior Administration for the fiscal year ended June 30, 2015 was composed of the following members:

<u>Member</u>	<u>Office</u>
Melinda Nish, Ed.D.	Superintendent/President
Steven Crow, Ed. D.	Vice-President for Business & Financial Affairs
John Clark	Vice-President, Employee Services
Kathy Tyner	Vice-President for Academic Affairs
Angelica Suarez, Ph.D.	Vice-President for Student Affairs

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
of the Southwestern Community College District  
Chula Vista, California

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary funds of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit.

*Southwestern College Foundation, a discretely presented component unit*

We did not audit the financial statements of the Southwestern College Foundation (the "Foundation"), a discretely presented component unit of the District. Those financial statements were audited by other auditors, whose report dated November 12, 2015 has been furnished to us, and our opinion on the basic financial statements of the District, insofar as it relates to the Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Emphasis of a Matter**

#### *Implementation of GASB Statements Nos. 68 and 71*

As discussed in Note 1 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 12 to the basic financial statements. In addition, the aggregate net pension liability is reported in the Statement of Net Position in the amount of \$70,578,361 as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California State Teachers Retirement System (“CalSTRS”) and California Public Employee Retirement System (“CalPERS”). Our opinion is not modified with respect to this matter.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary funds of the District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and Schedules of Changes in Proportionate Share of the Net Pension Liability – CalSTRS and CalPERS, Schedules of Contributions – CalSTRS and CalPERS, and Schedule of Funding Progress for Other Post Employment Benefits Plan on pages 5 through 9 and page 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying Introductory Section, Combining Schedule of Assets, Liabilities, and Fund Balances, Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances to Government-Wide Statement of Net Position, Combining Schedule of Revenues, Expenditures (Expenses), and Changes in Fund Equity (Net Position), Reconciliation of Combining Schedule of Revenue, Expenditures (Expenses), and Change in Fund Equity (Net Position) to Government-Wide Statement of Activities and Changes in Net Position, and Other Supplementary Information as listed in the foregoing table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Assets, Liabilities, and Fund Balances, Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances to Government-Wide Statement of Net Position, Combining Schedule of Revenues, Expenditures (Expenses), and Changes in Fund Equity (Net Position), Reconciliation of Combining Schedule of Revenue, Expenditures (Expenses), and Change in Fund Equity (Net Position) to Government-Wide Statement of Activities and Changes in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the District, taken as a whole. The accompanying Introductory Section, Purpose of Schedule, Schedule of Workload Measures for State General Apportionment and Annual Actual Attendance, Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements, Reconciliation of the 50% Calculation with District Accounting Records, Reconciliation of Education Protection Account Expenditures with District Accounting Records, Schedule of Expenditures of State Awards, and Budget Comparison Schedule – General Fund are not a required part of the basic financial statements but are supplementary information required by the State of California Department of Education. This other supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Introductory Section and Other Supplementary Information. However, we did not audit the information and express no opinion on these schedules.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

*Rud J. Mc Geady LLP*

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# Southwestern Community College District

## Management's Discussion and Analysis

### For the Year Ended June 30, 2015

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This section of the Southwestern Community College District's (District) financial statements presents the analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- Ending General Fund fund-balance (unrestricted) at June 30, 2015 was \$8.4 million or 9.6% of General Fund unrestricted expenses.
- Funded FTES (full time equivalent students) were 15,428 in Fiscal Year (FY) 2015 and 14,979 in FY 2014. There were no unfunded FTES in either year.
- Budgeted FTES in FY 2016 are 15,410.
- Due primarily to salary restoration of previous payroll reductions and the additional cost of living adjustment paid to employees (COLA), the general unrestricted fund deficit for the twelve month period ending June 30, 2015 was \$1,055,987 compared to a budgeted deficit of \$173,298.
- Bond Proposition R expenses during the year were \$30.9 million with an ending cash balance of \$75.4 million at June 30, 2015. Note #14 to the audit report as a subsequent event indicates additional bond proceeds of \$121.6 million received in July, 2015.
- The District issued \$27,045,000 in General Obligation Refunding Bonds to refund a portion of the 2005 General Obligation Bonds resulting in a net interest savings of \$3.2 million.
- The District implemented Government Accounting Standards Board statement #68, Accounting and Financial Reporting for Pensions (GASB 68) which requires the District to report and disclose its liability to California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS). As a result, as disclosed in the Notes to these financial statements, and in the Statement of Activities and Changes in Net Position, the District's net asset position was decreased from \$65.7 million in 2014 to a deficit \$17.6 million in 2015.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements consist of the following four components:

- Management's Discussion and Analysis;
- Financial statements including the Statement of Net Position, Statement of Activities and Changes in Net Position, Statement of Cash Flows, Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position;
- Notes to the financial statements; and
- Supplementary information which includes the reconciliation of Annual Financial and Budget Report (CCFS-311) with the District accounting system and the Schedule of Workload Measures for State General Apportionment.

The *Statement of Net Position* presents the assets, liabilities, and net position of the District as of the end of the fiscal year using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector institutions. Net position, the difference between assets and liabilities, is one way to measure the financial health of the District. The data allows its readers to determine the assets available to continue the operations of the District. The net position of the District consists of three major categories. The *Net Investment in Capital Assets* category represents the District's equity in property, plant, and equipment net of related debt. *Restricted Net Position* is restricted by use constraints placed on it by outside parties such as agreements, laws, regulations of creditors, other governments or as imposed by laws through constitutional provisions or enabling legislation. *Unrestricted Net Position* is the final category.

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

The District can use unrestricted net position for any lawful purpose. Although unrestricted by third parties, the District's Governing Board may place internal restrictions on this net position, but it retains the power to modify or remove such restrictions.

The District's Statement of Net Position is presented in the table below:

**Table 1  
Statements of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Changes</u>	
Current assets	\$ 33,513,151	\$ 34,969,643	\$ (1,456,492)	-4.2%
Noncurrent assets	291,128,710	301,452,541	(10,323,831)	-3.4%
Deferred outflows of resources	6,403,923		6,403,923	
Total assets and deferred outflows	331,045,784	336,422,184	(5,376,400)	-1.6%
Current liabilities	29,087,016	35,666,320	(6,579,304)	-18.4%
Long-term liabilities	297,997,504	235,025,545	62,971,959	26.8%
Deferred inflows of resources	21,523,511			
Total liabilities	348,608,031	270,691,865	56,392,655	20.8%
Net position:				
Net investment in capital assets	47,169,374	49,842,036	(2,672,662)	-5.4%
Restricted	15,075,536	14,208,723	866,813	6.1%
Unrestricted	(79,807,157)	1,679,560	(81,486,717)	
Total net position	<u>\$ (17,562,247)</u>	<u>\$ 65,730,319</u>	<u>\$ (83,292,566)</u>	<u>126.7%</u>

The *Statement of Activities and Changes in Net Position* presents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, and the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District.

Changes in total net position on the Statement of Net Position are based on the activity presented in the Statement of Activities and Changes in Net Position. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the District. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating revenue because they are provided by the legislature to the institution without the legislature directly receiving commensurate goods and services for those revenues.

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

The District's Statement of Activities and Changes in Net Position is presented in the table below:

**Table 2  
Changes in Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>	
Operating revenues	\$ 20,655,268	\$ 19,880,563	\$ 774,705	3.9%
Operating expenses	<u>(140,398,559)</u>	<u>(127,477,643)</u>	<u>(12,920,916)</u>	<u>10.1%</u>
Deficit before depreciation and Non-operating income and expenses	(119,743,291)	(107,597,080)	(12,146,211)	11.3%
Depreciation	(6,292,024)	(4,242,032)	(2,049,992)	48.3%
Non-operating income and expenses, net	<u>126,817,219</u>	<u>117,055,531</u>	<u>9,761,688</u>	<u>8.3%</u>
Increase (decrease) in net position	<u>\$ 781,904</u>	<u>\$ 5,216,419</u>	<u>\$ (4,434,515)</u>	<u>-85.0%</u>

The *Statement of Cash Flows* provides additional information about the District's financial results by reporting the major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due and evaluate its need for external financing. The statement is divided into several parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the District. The second section reflects cash flows from non-capital financing activities and shows the sources and uses of those funds. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

The District's Statement of Cash Flows is presented in the table below:

**Table 3  
Statement of Cash Flows**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash provided by (used in):		
Operating activities	\$ (117,962,234)	\$ (106,691,317)
Non-capital financing activities	137,888,430	128,166,196
Capital and related financing activities	(49,671,779)	(45,653,161)
Investing activities	<u>489,794</u>	<u>1,288,621</u>
Net change in cash and cash equivalents	(29,255,789)	(22,889,661)
Cash balance, beginning of year	<u>147,118,775</u>	<u>170,008,436</u>
Cash balance, end of year	<u>\$ 117,862,986</u>	<u>\$ 147,118,775</u>

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

**CAPITAL ASSETS**

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2015. These changes are presented in detail in Note 4 to the financial statements.

**Table 4  
Capital Assets Net of Accumulated Depreciation**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>	
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Buildings	131,977,795	77,448,858	54,528,937	70.4%
Improvements	47,337,518	23,514,945	23,822,573	101.3%
Equipment	1,297,693	1,066,066	231,627	21.7%
Construction in progress	10,310,168	63,643,318	(53,333,150)	-83.8%
Net capital assets	<u>\$ 200,626,322</u>	<u>\$ 175,376,335</u>	<u>\$ 25,249,987</u>	<u>14.4%</u>

**LONG TERM DEBT**

The following table summarizes the District's long term debt and changes therein for the year ended June 30, 2015. Changes in long term debt are presented in detail in Note 6 to the financial statements.

**Table 5  
Summary of Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>	
<b>Bonds Payable:</b>				
Lease Revenue	\$ 1,070,000	\$ 1,160,000	\$ (90,000)	-7.8%
GO Bond, Series 2004	12,993,974	12,993,974	-	0.0%
GO Bond, Series 2005	-	32,670,000	(32,670,000)	100.0%
GO Bond, Series 2005 Refunding Series B	16,390,001	20,555,001	(4,165,000)	-20.3%
Prop R - Series A	7,795,000	8,195,000	(400,000)	-4.9%
Prop R - Series B	89,775,000	89,775,000	-	0.0%
Prop R - Series C	66,370,371	66,400,371	(30,000)	0.0%
GO Bond 2015, Refunding	27,045,000			
Unamortized premiums	7,444,454	5,652,436	1,792,018	31.7%
	<u>\$ 228,883,800</u>	<u>\$ 237,401,782</u>	<u>\$ (8,517,982)</u>	<u>-3.6%</u>

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2015**

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**ECONOMIC FACTORS AND 2015-16 BUDGET**

The major economic factors that have an effect on the District's financial condition are directly related to the overall economy of the State of California and any future legislation that may impact the funding of community colleges.

The District's FY 2015-2016 Adopted Budget (unrestricted general fund) includes revenue and expense projections based on the best information available to date. The Adopted Budget also includes sufficient reserves for the District's stability and security, including a Governing Board reserve of 7%.

The District's unrestricted general fund revenue budget for FY 2015-2016 is \$97.2 million consisting of California State principal apportionment of \$51.6 million, property taxes of \$23.8 million, enrollment fees of \$4.2 million, and \$17.6 million in other revenue including one-time state funding of \$8.5 million, ongoing state funding of \$3.6 million, and lottery proceeds of \$1.8 million. Unrestricted budgeted expenses of \$98.0 million exceed budgeted revenue by \$798,367. The Governing Board has approved the budget with this excess of expenses over revenue. The District has implemented strategies to eliminate the \$798,367 operating deficit, including the delaying, and in some cases, suspending the filling of open personnel positions resulting from a successful supplemental early retirement plan (SERP) that was offered in the fall of 2015.

The District's FY 2015-2016 General Fund unrestricted budgeted expenses of \$98.0 million increased by \$11.7 million from prior year adopted budget due primarily to one-time state funding of \$8.5 million designated for program review funding. Proposition R Bond funds that are separate from the General Fund have an expense budget of \$61.3 million. The total District-wide budget for all funds in FY 2015-2016 is \$202 million.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report was designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Vice President of Business and Financial Affairs, Southwestern Community College District, 900 Otay Lakes Road, Chula Vista CA 91910.

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# **BASIC FINANCIAL STATEMENTS**

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**Southwestern Community College District**  
**Statement of Net Position**  
**June 30, 2015**

	District	Foundation
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 27,360,598	\$ 131,593
Investments	26,796	854,419
Accounts receivable	4,964,497	582
Inventories	1,086,046	-
Prepaid items	58,899	2,500
Due from fiduciary funds	16,315	-
Total current assets	33,513,151	989,094
Noncurrent assets:		
Restricted cash and investments	90,502,388	-
Capital assets, net	200,626,322	-
Total noncurrent assets	291,128,710	-
<b>Total assets</b>	<b>324,641,861</b>	<b>989,094</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contributions made after the measurement date	6,363,495	-
Change in the employer's proportionate share of contributions	40,428	-
<b>Total deferred outflows of resources</b>	<b>6,403,923</b>	<b>-</b>

**Southwestern Community College District**  
**Statement of Net Position (Continued)**  
**June 30, 2015**

<b>LIABILITIES</b>	<u>District</u>	<u>Foundation</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	7,263,380	1,194
Interest payable	5,285,568	-
Payroll and related liabilities	2,671,516	-
Unearned revenue	5,477,321	2,500
Due to fiduciary funds	24,231	-
Compensated absences - due within one year	2,500,000	-
Bonds payable - due within one year	5,865,000	-
Total current liabilities	<u>29,087,016</u>	<u>3,694</u>
Noncurrent liabilities:		
Compensated absences - due in more than one year	682,791	-
Net OPEB obligations - due in more than one year	3,717,552	-
Aggregate net pension liability - due in more than one year	70,578,361	-
Bonds payable - due in more than one year	223,018,800	-
Total noncurrent liabilities	<u>297,997,504</u>	<u>-</u>
<b>Total liabilities</b>	<u>327,084,520</u>	<u>3,694</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred differences between projected and actual earnings on pension plan investments	19,699,829	-
Deferred amounts on refunding	1,823,682	-
<b>Total deferred inflows of resources</b>	<u>21,523,511</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets	47,169,374	-
Restricted for:		
Special projects	-	732,681
Debt service	15,075,536	-
Total restricted	<u>15,075,536</u>	<u>732,681</u>
Unrestricted (deficit)	<u>(79,807,157)</u>	<u>252,719</u>
<b>Total net position</b>	<u>\$ (17,562,247)</u>	<u>\$ 985,400</u>

**Southwestern Community College District  
Statement of Activities and Changes in Net Position  
For the Year Ended June 30, 2015**

	<u>District</u>	<u>Foundation</u>
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$ 7,002,811	\$ -
Grants and contracts, non-capital:		
Federal	5,178,466	-
State	2,368,259	-
Local	1,219,850	-
Total grants and contracts, non-capital	<u>8,766,575</u>	<u>-</u>
Auxiliary enterprise sales and charges, net	4,885,882	-
Other operating revenues	-	150,880
<b>Total operating revenues</b>	<u>20,655,268</u>	<u>150,880</u>
<b>OPERATING EXPENSES:</b>		
Salaries	72,370,608	-
Employee benefits	17,860,999	-
Payments to students	30,755,665	57,108
Supplies, materials, and other expenses	17,043,277	21,337
Utilities	2,368,010	-
Depreciation	6,292,024	-
<b>Total operating expenses</b>	<u>146,690,583</u>	<u>78,445</u>
<b>Operating income (loss)</b>	<u>(126,035,315)</u>	<u>72,435</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>		
Federal grants, non-capital	25,627,461	-
State apportionments, non-capital	69,615,570	-
Local property taxes, non-capital	37,240,019	-
Investment income, non-capital	489,794	-
Interest expense	(11,561,005)	-
Other nonoperating revenues (expenses)	5,405,380	(38,446)
<b>Total nonoperating revenues (expenses), net</b>	<u>126,817,219</u>	<u>(38,446)</u>
<b>Changes in net position</b>	781,904	33,989
<b>NET POSITION:</b>		
Beginning of year, as restated (Note 12)	(18,344,151)	951,411
End of year	<u>\$ (17,562,247)</u>	<u>\$ 985,400</u>

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**Southwestern Community College District**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

	<u>District</u>	<u>Foundation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$ 17,117,931	\$ -
Grants and contracts	8,766,575	-
Payments for supplies and services	(26,280,936)	(19,870)
Payments for utilities	(2,368,010)	-
Payments to/on behalf of employees	(89,393,257)	-
Payments to students	(30,755,665)	(57,108)
Auxiliary enterprise sales and charges	4,885,882	-
Other operating revenues and expenses	65,246	153,380
<b>Net cash provided by (used in) operating activities</b>	<u>(117,962,234)</u>	<u>76,402</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Federal Pell grants	25,627,461	-
State apportionments	69,615,570	-
Local property taxes	37,240,019	-
Other	5,405,380	(38,446)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>137,888,430</u>	<u>(38,446)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(31,559,638)	-
Disposition of capital assets	17,627	-
Proceeds from bond issuance	31,075,391	-
Costs of bond issuance	(291,128)	-
Principal paid on bonds	(37,355,000)	-
Payment of interest and fees	(11,559,031)	-
<b>Net cash (used in) capital financing activities</b>	<u>(49,671,779)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of investments	-	24,263
Interest and investment proceeds	489,794	-
<b>Cash provided by (used in) investing activities</b>	<u>489,794</u>	<u>24,263</u>
<b>Net increase (decrease) in cash and equivalents</b>	(29,255,789)	62,219
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	147,118,775	69,374
End of year	<u>\$ 117,862,986</u>	<u>\$ 131,593</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:</b>		
Cash and cash equivalents	\$ 27,360,598	\$ 131,593
Restricted cash and investments	90,502,388	-
<b>Total cash and cash equivalents</b>	<u>\$ 117,862,986</u>	<u>\$ 131,593</u>

**Southwestern Community College District**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2015**

	District	Foundation
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)</b>		
<b>TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (126,035,315)	\$ 72,435
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,292,024	-
Change in assets and liabilities:		
Receivables	7,832,605	1,030
Inventories	(81,190)	-
Prepaid items	(17,909)	-
Due from fiduciary funds	41,015	-
Pension contributions after the measurement date	(913,448)	-
Deferred positive change in plan proportion	9,401	-
Accounts payable and accrued liabilities	(9,138,560)	437
Payroll and related liabilities	(133,027)	-
Unearned revenue	2,282,515	2,500
Due to fiduciary funds	24,231	-
Aggregate net pension liability	(18,995,985)	-
Deferred pension investment earnings	19,699,829	-
Net OPEB obligations	1,066,867	-
Compensated absences	104,713	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (117,962,234)</b>	<b>\$ 76,402</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
<b>Noncash Capital and Related Financing Activities:</b>		
Amortization of bond premiums	\$ (780,428)	\$ -
<b>Total noncash capital and related financing activities</b>	<b>\$ (780,428)</b>	<b>\$ -</b>

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**FIDUCIARY FUND  
FINANCIAL STATEMENTS**

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**Southwestern Community College District**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

	Associated Student Trusts	Student Service Trust Funds	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 866,838	\$ 955,458	\$ 1,822,296
Accounts receivable	11,885	7,535	19,420
Due from District	-	24,231	24,231
Other assets	43,983	-	43,983
<b>Total assets</b>	<b>922,706</b>	<b>987,224</b>	<b>1,909,930</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	224	983,252	983,476
Due to District	16,315	-	16,315
Unearned revenue	19,390	-	19,390
Deposits payable	83,821	-	83,821
<b>Total liabilities</b>	<b>119,750</b>	<b>983,252</b>	<b>1,103,002</b>
<b>Net Position:</b>			
Unrestricted	802,956	3,972	806,928
<b>Total net position</b>	<b>\$ 802,956</b>	<b>\$ 3,972</b>	<b>\$ 806,928</b>

**Southwestern Community College District**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2015**

	Associated Student Trusts	Student Service Trust Funds	Total
<b>OPERATING REVENUES:</b>			
Student fees	\$ 289,151	\$ -	\$ 289,151
Other revenues	3,009	19,110	22,119
<b>Total operating revenues</b>	<b>292,160</b>	<b>19,110</b>	<b>311,270</b>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	91,761	-	91,761
Payments to students	52,000	-	52,000
Supplies, materials, and other expenses	166,410	13,288	179,698
<b>Total operating expenses</b>	<b>310,171</b>	<b>13,288</b>	<b>323,459</b>
<b>Operating income (loss)</b>	<b>(18,011)</b>	<b>5,822</b>	<b>(12,189)</b>
<b>TRANSFERS:</b>			
Transfers from District	-	-	-
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in net position</b>	<b>(18,011)</b>	<b>5,822</b>	<b>(12,189)</b>
<b>NET POSITION:</b>			
Beginning of year	820,967	(1,850)	819,117
End of year	<u>\$ 802,956</u>	<u>\$ 3,972</u>	<u>\$ 806,928</u>

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# **NOTES TO BASIC FINANCIAL STATEMENTS**

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**Southwestern Community College District**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity**

Southwestern Community College District (the “District”) is a political subdivision of the State of California and provides higher educational services in the County of San Diego, State of California. The District is classified as a state instrumentality under Internal Revenue Code Section 115 and is also classified as a charitable organization under Internal Revenue Code 501(c)(3) and is, therefore, exempt from federal and state income taxes.

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and any other organization for which the nature and significance of their relationship with the District is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2015:

- Financial interdependency - the District receives financial support or provides financial benefit to the organization, is responsible for or has directly or indirectly guaranteed the organization's debts.
- Authoritative appointment of governing authority - the District's Board of Trustees appoints the organization's governing authority and maintains a significant continuing relationship with the governing authority pertaining to the functions of the organization.

The District determined that the following organization is a discretely presented component unit:

The Southwestern College Foundation

The Southwestern College Foundation (Foundation) is a California not-for-profit public benefit corporation organized and incorporated in 1982. The Foundation was established for the purpose of receiving and distributing contributed funds to promote the general welfare of the Southwestern Community College District.

**B. Basis of Accounting and Measurement Focus**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. The basic financial statements include a Statement of Net Position, Statement of Activities and Change in Net Position, and Statement of Cash Flows. Fiduciary activities are reported separately.

The basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when the liability is incurred. Property taxes are recognized in the year in which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Accounting and Measurement Focus (Continued)**

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources, when applicable.

*Deferred Outflows of Resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

*Deferred Inflows of Resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

**C. Cash, Cash Equivalents, and Investments**

The District pools its available cash for investment purposes. The District considers pooled cash and investment amounts with original maturities of three months or less to be cash equivalents.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The District adheres to certain disclosure requirements, if applicable for deposit and investment risks, which are specified for the following areas:

- Interest Rate Risk
- Credit Risk
  - ◆ Overall
  - ◆ Custodial Credit Risk
  - ◆ Concentration of Credit Risk
- Foreign Currency Risk

**D. Restricted Cash, Cash Equivalents and Investments**

Cash that is externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other non-current assets is classified as a non-current asset in the statement of net assets.

**E. Accounts Receivable**

Accounts receivable consist of amounts due from the Federal, State and local governments or private resources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables, which are not scheduled for collection within one year of year-end.

**F. Inventories**

Inventories are stated at the lower of cost or market using the first-in, first-out method. The cost is expensed at the time individual inventory items are withdrawn from the stores inventory for consumption.



**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. Bond Discounts, Premiums, and Refunding Losses**

Bond discounts, premiums, and refunding losses are amortized over the life of the bond using the straight-line method. Bonds payable are reported net of applicable discount or premium. Issuance costs, with the exception of prepaid bond insurance, are expensed immediately.

**H. Compensated Absences**

Accrued compensated absences benefits are recorded as liabilities as vested and earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year. The District has no commitment for accumulated sick leave and no liability is recorded.

**I. Capital Assets**

Capital assets, which include site and site improvements, buildings, equipment and infrastructure assets (e.g. roads, parking lots, sidewalks, and similar items), are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Costs for assets that do not meet the capitalization threshold of \$5,000 and costs for routine maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed using a half-year convention on a straight line basis over the estimated useful life of the asset as follows:

<u>Asset</u>	<u>Years</u>
Site improvements	35-60
Buildings	50
Equipment/Vehicles	5-6
Technology equipment	3

Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost.

**J. Net Position**

Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of investment in capital assets or the restricted component of net position.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**K. Unearned Revenue**

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but that are to be earned in the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Measurement period	July 1, 2013 to June 30, 2014

  

<u>CalSTRS</u>	
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Measurement period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**M. Property Taxes**

The County of San Diego (County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on March 1. Taxes are levied on July 1 and are payable in two equal installments on November 15 and March 15, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with Fiscal Year 1978-79, general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or the cost of any new construction after the 1975-76 valuation.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**M. Property Taxes (Continued)**

Taxable values of properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

This Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of the passage of Proposition 13).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied based on actual and estimated receipts. Adjustments to estimates are made at the time of final apportionment for the applicable fiscal year.

**N. On-Behalf Payments**

GASB Statement No. 24 requires that direct on-behalf payments for fringe 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 college districts in California; however, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. On-behalf payments made in 2015 were not material to the financial statements.

**O. Classification of Revenues**

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues including state appropriations, local property taxes and investment income.

Revenues 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, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources as described in GASB Statement No. 34, such as state appropriations, state and local property taxes and investment income.

**P. Scholarship Discounts and Allowances**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge 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 or non-governmental programs are recorded as non-operating revenues in the District's financial statements.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Q. Use of Estimates**

The preparation of its basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses in the basic financial statements and the accompanying notes. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

**R. Accounting Changes**

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*). This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Note 12 for prior period adjustments as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 12 for prior period adjustments as a result of implementation.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments**

The following is a summary of cash and investments at June 30, 2015:

	<b>Business-Type Activities</b>	<b>Fiduciary Fund Financial Statements</b>	<b>Foundation</b>	<b>Total</b>
Cash and cash equivalents	\$ 27,360,598	\$ 1,822,296	\$ 131,593	\$ 29,314,487
Restricted cash and cash equivalents	90,502,388	-	-	90,502,388
<b>Total cash and cash equivalents</b>	<b>117,862,986</b>	<b>1,822,296</b>	<b>131,593</b>	<b>119,816,875</b>
Investments	26,796	-	854,419	881,215
<b>Total investments</b>	<b>26,796</b>	<b>-</b>	<b>854,419</b>	<b>881,215</b>
<b>Total cash and investments</b>	<b>\$ 117,889,782</b>	<b>\$ 1,822,296</b>	<b>\$ 986,012</b>	<b>\$ 120,698,090</b>

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

	<b>Business-Type Activities</b>	<b>Fiduciary Fund Financial Statements</b>	<b>Foundation</b>	<b>Total</b>
<b>Cash and cash equivalents:</b>				
Cash on hand	\$ 76,812	\$ 5,490	-	\$ 82,302
Cash in bank accounts	2,008,266	1,816,806	131,593	3,956,665
Cash in County treasury	115,777,908	-	-	115,777,908
<b>Total cash and cash equivalents</b>	<b>117,862,986</b>	<b>1,822,296</b>	<b>131,593</b>	<b>119,816,875</b>
<b>Investments:</b>				
U.S. Government securities	-	-	-	-
Certificates of deposit	26,796	-	-	26,796
Equity securities	-	-	683,421	683,421
Mutual funds	-	-	170,998	170,998
<b>Total investments</b>	<b>26,796</b>	<b>-</b>	<b>854,419</b>	<b>881,215</b>
<b>Total cash and investments</b>	<b>\$ 117,889,782</b>	<b>\$ 1,822,296</b>	<b>\$ 986,012</b>	<b>\$ 120,698,090</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 2 – Cash and Investments (Continued)**

**San Diego County Investment Pool**

As provided for by Education Code §41001, a significant portion of the District's cash balances are deposited with the County Treasurer to enhance interest earnings through County investment activities. In accordance §53601 and §53602 of the California Government Code, the County may invest in the following types of investments:

- Local bonds or notes
- Securities of the U.S. Government or its agencies
- Registered State warrants or treasury notes or bonds of the State
- Small Business Administration loans
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper (Prime Quality)
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Medium-term notes (remaining maturity of five years or less; rated "A" or better)
- Repurchase agreements or reverse repurchase agreements
- Mortgage pass-through securities

The District is a participant in the San Diego County Treasury Pool (County Pool) which is regulated under the oversight of the Treasurer of the County of San Diego. The fair value of the District's investment in the County Pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by the County Pool for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the Pool. Included in the County Pool's investment portfolio are collateralized and negotiable certificates of deposit, floating rate securities issued by federal agencies and corporations, money market funds, repurchase agreements and commercial paper.

At June 30, 2015, the District had \$115,777,908 invested in the San Diego County Investment Pool.

**Restricted Cash and Investments**

As of June 30, 2015, the District had restricted cash and investments totaling \$90,502,388. This amount is restricted to be used for acquisition, construction, renovation, repair, and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that a change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. None of the District's investments are highly sensitive to interest rate fluctuation.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 2 – Cash and Investments (Continued)**

**Disclosures Relating to Credit Risk**

The District’s investments are rated by the nationally recognized statistical rating organizations as follows:

	<b>Business-Type</b>		<b>Moody's</b>	<b>Standard &amp; Poor's</b>
	<b>Activities Fair Value</b>	<b>Foundation Fair Value</b>		
Mutual Funds	\$ -	\$ 170,998	A2	A
Equities	-	683,421	Not Rated	Not Rated
Certificates of deposit	26,796	-	Not Rated	Not Rated
	<u>\$ 26,796</u>	<u>\$ 854,419</u>		

**Disclosures Relating to Concentration of Credit Risk**

The investment policy limits the percentage of the portfolio that can be invested in certain types of investments. The District is in compliance with the investment policy with respect to investment type percentages for the total portfolio.

**Disclosures Relating to Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the broker or dealer to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure the District’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The market value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District’s total cash deposits. The District may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 – Accounts Receivable**

The following is a summary of receivables at June 30, 2015:

	Business-type Activities	Fiduciary Fund Financial Statements	Foundation	Total
<b>Grants:</b>				
Federal	\$ 1,169,578	\$ -	\$ -	\$ 1,169,578
State	497,278	-	-	497,278
Local	171,608	-	-	171,608
Total grants	1,838,464	-	-	1,838,464
State Apportionments	2,065,685	-	-	2,065,685
Lottery Apportionments	519,405	-	-	519,405
Other	540,943	19,420	582	560,945
<b>Total</b>	<b>\$ 4,964,497</b>	<b>\$ 19,420</b>	<b>\$ 582</b>	<b>\$ 4,984,499</b>

**Note 4 – Capital Assets**

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<b>Nondepreciable:</b>					
Land	\$ 9,703,148	\$ -	\$ -	\$ -	\$ 9,703,148
Construction in progress	63,643,318	30,895,864	(17,627)	(84,211,387)	10,310,168
<b>Total nondepreciable</b>	<b>73,346,466</b>	<b>30,895,864</b>	<b>(17,627)</b>	<b>(84,211,387)</b>	<b>20,013,316</b>
<b>Depreciable:</b>					
Site improvements	34,327,102	-	-	26,317,883	60,644,985
Buildings	106,388,265	-	-	57,893,504	164,281,769
Equipment	5,821,717	663,774	(143,684)	-	6,341,807
<b>Total depreciable, at cost</b>	<b>146,537,084</b>	<b>663,774</b>	<b>(143,684)</b>	<b>84,211,387</b>	<b>231,268,561</b>
<b>Less accumulated depreciation:</b>					
Site improvements	(10,812,157)	(2,495,310)	-	-	(13,307,467)
Buildings	(28,939,407)	(3,364,567)	-	-	(32,303,974)
Equipment	(4,755,651)	(432,147)	143,684	-	(5,044,114)
<b>Total accumulated depreciation</b>	<b>(44,507,215)</b>	<b>(6,292,024)</b>	<b>143,684</b>	<b>-</b>	<b>(50,655,555)</b>
<b>Total depreciable, net</b>	<b>102,029,869</b>	<b>(5,628,250)</b>	<b>-</b>	<b>84,211,387</b>	<b>180,613,006</b>
<b>Total capital assets, net</b>	<b>\$ 175,376,335</b>	<b>\$ 25,267,614</b>	<b>\$ (17,627)</b>	<b>\$ -</b>	<b>\$ 200,626,322</b>

Depreciation expense for capital assets for the year ended June 30, 2015 was \$6,292,024.



**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 5 – Unearned Revenue**

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2015 for the subsequent 2015-2016 year. As of June 30, 2015, the District’s unearned revenue balance consists of the following:

	Business-Type Activities	Fiduciary		Total
		Fund Financial Statements	Foundation	
Federal sources	\$ 56,855	\$ -	\$ -	\$ 56,855
State sources	2,868,368	-	-	2,868,368
Enrollment fees	696,549	-	-	696,549
Other local sources	1,855,549	19,390	2,500	1,877,439
	<u>\$ 5,477,321</u>	<u>\$ 19,390</u>	<u>\$ 2,500</u>	<u>\$ 5,499,211</u>

**Note 6 – Long-Term Debt**

The following is a summary of the changes in long-term debt for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year	Due In More Than One Year
<b>Bonds payable:</b>						
Lease Revenue Bonds	\$ 1,160,000	\$ -	\$ (90,000)	\$ 1,070,000	\$ 90,000	\$ 980,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2005	32,670,000	-	(32,670,000)	-	-	-
GO Bond 2005, Refunding Series B	20,555,001	-	(4,165,000)	16,390,001	4,705,000	11,685,001
GO Bond 2008, Series A	8,195,000	-	(400,000)	7,795,000	550,000	7,245,000
GO Bond 2008, Series B	89,775,000	-	-	89,775,000	-	89,775,000
GO Bond 2008, Series C	66,400,371	-	(30,000)	66,370,371	100,000	66,270,371
GO Bond 2015, Refunding	-	27,045,000	-	27,045,000	420,000	26,625,000
Unamortized premiums	5,652,436	4,030,391	(2,238,373)	7,444,454	-	7,444,454
<b>Total bonds payable</b>	<u>237,401,782</u>	<u>31,075,391</u>	<u>(39,593,373)</u>	<u>228,883,800</u>	<u>5,865,000</u>	<u>223,018,800</u>
<b>Compensated absences:</b>	<u>3,078,078</u>	<u>2,618,621</u>	<u>(2,513,908)</u>	<u>3,182,791</u>	<u>2,500,000</u>	<u>682,791</u>
<b>Total</b>	<u>\$ 240,479,860</u>	<u>\$ 33,694,012</u>	<u>\$ (42,107,281)</u>	<u>\$ 232,066,591</u>	<u>\$ 8,365,000</u>	<u>\$ 223,701,591</u>

**Lease Revenue Bonds**

In January 1999, the District entered into a trust indenture with the California Community College Financing Authority to issue lease revenue bonds in order to provide funds for public capital improvements. The bonds consist of Series 1999A bonds of which the District’s portion of the issuance was \$4,460,000.

On October 1, 2010 the District, along with two other local California Community College Districts, refinanced these bonds in order to achieve a savings in debt service. The new bonds have a principal amount due of \$1,410,000 with the first payment due on October 1, 2011 and the final payment due on October 1, 2023. The bonds have coupon rates ranging from 3.0% to 4.0%. As part of the refinancing, additional principal was paid from the existing reserve account in the amount of \$215,000.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 6 – Long-Term Debt (Continued)**

**Lease Revenue Bonds (Continued)**

The District pledged all lease revenue to repay the outstanding principal and interest of the Lease Revenue Bonds. Total principal and interest remaining on the bonds at June 30, 2015 is \$1,272,379, payable through 2024.

The annual requirements for debt service outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 90,000	\$ 35,494	\$ 128,644
2017	90,000	32,344	125,494
2018	95,000	29,569	122,344
2019	100,000	26,644	124,569
2020	100,000	23,644	123,644
2021-2024	595,000	52,684	647,684
<b>Total</b>	<b>\$ 1,070,000</b>	<b>\$ 200,379</b>	<b>\$ 1,272,379</b>

**General Obligation Bonds – 2004**

In September 2004, the District authorized the sale and issuance of the 2004 General Obligation Bonds in the amount of \$49,353,974. Proceeds from the sale of the bonds are to be used to finance the renovation of classrooms and other college facilities throughout the District. These bonds were partially refunded in August 2005. Interest on the remaining amount is payable August 1, commencing August 1, 2024 at rates ranging from 2.5% to 5.0%. Principal is payable August 1, commencing August 1, 2024 and through the maturity date August 1, 2029.

The bonds are solely payable from *ad valorem* property taxes levied. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds - 2004. Total principal and interest remaining on the bonds is \$42,435,000, payable through 2030.

The annual requirements for debt service outstanding at June 30, 2015 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	1,434,188	3,847,153	5,281,341
2026-2030	11,559,786	25,593,873	37,153,659
<b>Total</b>	<b>\$ 12,993,974</b>	<b>\$ 29,441,026</b>	<b>\$ 42,435,000</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 6 – Long-Term Debt (Continued)**

**General Obligation Bonds – 2005**

In January 2005, the District authorized the sale and issuance of 2005 General Obligation Bonds, Refunding of Election 2000, Series 2001 in the amount of \$40,575,000. Proceeds from the sale of the bonds were used to advance refund the entire outstanding principal amount of the District's General Obligation Bonds, Series 2001 and to fund additional capital projects authorized by the initial measure. Interest is payable February 1 and August 1, commencing August 1, 2005 at rates ranging from 3.0% to 5.2%. Principal is payable August 1, commencing August 1, 2005 and through the maturity date August 1, 2025.

The bonds are solely payable from *ad valorem* property taxes levied. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District pledged *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds - 2005. Total principal and interest remaining on the bonds was paid in full during fiscal year 2015 via the issuance of the 2015 General Obligation Refunding Bonds.

**General Obligation Bonds – 2005 Refunding Series B**

In August 2005, the District authorized the sale and issuance of 2005 General Obligation Refunding Bonds, Series B, in the amount of \$37,456,116. Proceeds from the sale of the bonds were used to advance refund a portion of the District's 2004 General Obligation Bonds, Election of 2000, Series 2004. Interest is payable February 1 and August 1, commencing February 1, 2006 at 5.25%. Principal is payable August 1, commencing August 1, 2006 and through the maturity date August 1, 2018. The bonds were issued at a premium of \$5,786,135. In addition, there were \$649,857 of bond issuance costs and a \$947,394 refunding adjustment associated with the partial refunding of the 2004 General Obligation Bonds that are amortized over the life of the bond.

The bonds are solely payable from *ad valorem* property taxes levied. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District pledged *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds – 2005 Refunding Series B. Total principal and interest remaining on the bonds is \$17,793,851, payable through fiscal year 2019.

The annual requirements for debt service outstanding at June 30, 2015 are as follows:

<b>Year Ending</b>			
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 4,705,000	\$ 736,969	\$ 5,441,969
2017	5,290,000	474,600	5,764,600
2018	5,930,000	180,075	6,110,075
2019	465,001	12,206	477,207
<b>Total</b>	<b>\$ 16,390,001</b>	<b>\$ 1,403,850</b>	<b>\$ 17,793,851</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Long-Term Debt (Continued)**

**General Obligation Bonds – 2008, Series A, B and C**

On October 22, 2009, as authorized by the registered voters of the Southwestern Community College District in the election of November 4, 2008, the District issued \$10,225,000 of Election of 2008 General Obligation Bonds, Series A, and \$89,775,000 of Election of 2008 General Obligation Bonds, Series B bonds. The Series A bonds are tax exempt. The Series B bonds were issued as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series B bonds on or about each interest payment date. The cash payment does not constitute the full faith and credit of the United States, but is required to be paid by the Treasury under the Recovery Act. Interest is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010 at 5.5%. The bonds are being issued to finance the repair, construction, acquisition and equipping of certain District sites and facilities and to pay costs of issuance with the bonds. The bonds were issued at a premium of \$1,212,387.

In June, 2011, the District authorized the sale and issuance of 2008 General Obligation Bonds, Series C in the amount of \$68,730,371. Proceeds from the sale of the bonds will be used to finance the construction and renovation of classrooms and other college facilities throughout the District. The bonds were issued at a premium of \$716,045.

Interest on the Series C current interest bonds with principal of \$58,355,000 is payable February 1 and August 1, commencing August 1, 2011 at rates ranging from 1.0% to 5.25%. Principal is payable August 1, commencing August 1, 2011 and through the maturity date of August 1, 2030.

Interest on the Series C capital appreciation bonds with principal of \$10,375,371 will accrete in value commencing August 1, 2011 at rates ranging from 7.15% to 7.3% to the respective maturity amounts on August 1, 2041 and August 1, 2046.

The bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District has pledged *ad valorem* property tax levied and collected to pay repay the outstanding principal and interest of the bonds. Total principal and interest remaining on the bonds as of June 30, 2015 is \$9,077,351, \$207,176,823 and \$201,249,059 for Series A, B, and C, respectively.

The annual requirements for debt service outstanding at June 30, 2015 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2016	\$ 550,000	\$ 413,600	\$ 839,725
2017	715,000	378,813	963,600
2018	895,000	334,538	1,093,813
2019	1,085,000	280,088	1,229,538
2020	1,290,000	214,775	1,504,775
2021-2022	3,260,000	185,900	3,445,900
<b>Total</b>	<b>\$ 7,795,000</b>	<b>\$ 1,807,714</b>	<b>\$ 9,077,351</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Long-Term Debt (Continued)**

**General Obligation Bonds – 2008, Series A, B and C (Continued)**

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
2016	\$ -	\$ 6,401,727	\$ 6,401,727
2017	-	6,401,727	6,401,727
2018	-	6,401,727	6,401,727
2019	-	6,401,727	6,401,727
2020	-	6,401,727	6,401,727
2021-2025	6,735,000	31,403,678	38,138,678
2026-2030	17,035,000	27,085,556	44,120,556
2031-2035	26,610,000	19,360,354	45,970,354
2036-2040	39,395,000	7,543,600	46,938,600
<b>Total</b>	<b>\$ 89,775,000</b>	<b>\$ 117,401,823</b>	<b>\$ 207,176,823</b>

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
2016	\$ 100,000	\$ 2,831,563	\$ 2,931,563
2017	175,000	2,826,563	3,001,563
2018	260,000	2,817,863	3,077,863
2019	345,000	2,805,763	3,150,763
2020	440,000	2,787,863	3,227,863
2021-2025	3,910,000	13,456,813	17,366,813
2026-2030	7,510,000	12,052,063	19,562,063
2031-2035	12,490,000	9,535,856	22,025,856
2036-2040	19,565,000	5,440,238	25,005,238
2041-2045	18,608,012	47,770,366	66,378,378
2046-2047	2,967,359	32,553,737	35,521,096
<b>Total</b>	<b>\$ 66,370,371</b>	<b>\$ 134,878,688</b>	<b>\$ 201,249,059</b>

**General Obligation Refunding Bonds – 2015**

In August 2014, the District authorized the sale and issuance of 2015 General Obligation Refunding Bonds, in the amount of \$27,045,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's 2005 General Obligation Bonds, Election of 2000, Series 2005. Interest is payable February 1 and August 1, commencing August 1, 2015 at 5.0%. Principal is payable August 1, commencing August 1, 2015 and through the maturity date February 1, 2026. The bonds were issued at a premium of \$4,030,391 and the refunding transaction resulted in a deferred loss on refunding of \$1,823,862 to be amortized through the remaining life of the new bonds. The aggregate debt service payments of the new debt are \$3,698,626 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt service payments) of approximately \$3,247,455.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Long-Term Debt (Continued)**

**General Obligation Refunding Bonds – 2015 (Continued)**

The annual requirements for debt service outstanding at June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 420,000	\$ 931,861	\$ -
2017	1,695,000	1,233,025	-
2018	1,850,000	1,170,600	-
2019	2,040,000	1,092,800	-
2020	2,230,000	996,250	3,226,250
2021-2025	14,940,000	2,971,000	17,911,000
2026	3,870,000	96,750	3,966,750
<b>Total</b>	<b>\$ 27,045,000</b>	<b>\$ 8,492,286</b>	<b>\$ 25,104,000</b>

**Compensated Absences**

The District's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$3,182,791 at June 30, 2015.

**Notes 7 – Other Post Employment Benefits**

*Plan Description*

The District provides post employment health care benefits for eligible retirees. The retiree must have worked for at least ten years (administrators) to fifteen years (classified/academic). The following is a summary description of the current retiree benefit plan:

	Faculty	Classified	Management*
Benefit Types Provided	Medical and Dental	Medical Only	Medical, Dental and Medicare Part B
Duration of Benefits	Lifetime	Lifetime	Lifetime
Required Service	15 Years	15 Years	10 Years
Minimum Age	55	50	55
Dependent Coverage	No	No	No
College Contribution %	50% (not less than \$1,000 per year)	100%	100%
College Cap	None	\$1,000 per year after age 65	\$1,000 per year after age 65**

\* Educational administrators hired after 12/31/2003 are not entitled to any District-paid benefits.

\*\* Employees hired prior to 01/01/2004 are not subject to this cap.

*Funding Policy*

Through June 30, 2013, the District has contributed \$3.2 million to an irrevocable trust with the Community College League of California – Joint Powers Authority (CCLC-JPA). The District contributed \$0 during fiscal year 2015. At June 30, 2015, the market value of the irrevocable trust was \$3,635,341.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Notes 7 – Other Post Employment Benefits**

*Annual OPEB Cost*

For the year ended June 30, 2015, the District’s Annual Required Contribution (“ARC”) for OPEB was \$1,066,867. The District’s annual OPEB cost, the percentage of annual OPEB cost to be contributed to the plan, and the Net OPEB Obligation are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>(Increase) Decrease in OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 1,194,669	\$ 700,000	59%	\$ (494,669)	\$ (1,089,149)
6/30/2014	1,066,867	-	0%	(1,066,867)	(2,650,685)
6/30/2015	1,066,867	-	0%	(1,066,867)	(3,717,552)

*Most Recent Actuarial Study – Status of Funding Progress*

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Entry Age Actuarial Accrued Liabilities</u>	<u>Unfunded Actuarial Accrued Liabilities</u>	<u>Funded Ratio</u>	<u>Estimated Covered Payroll</u>	<u>Unfunded Actuarial Liabilities as Percentage of Covered Payroll</u>
2/1/2014	\$ 2,156,350	\$ 11,884,471	\$ 9,728,121	18.14%	\$ 45,861,000	21.21%

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 rates. 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.

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of February 1, 2014. In that valuation, the Entry Aged Normal Cost Method was used. The actuarial assumptions included a 6.75% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 4%, and a 2.75% payroll increase per year. All assumptions reflect an implicit 3% general inflation assumption. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a rolling basis. The remaining amortization period as of June 30, 2015 was 29 years.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Pension Plans**

**A. Summary**

**Net Pension Liability**

Aggregate Net Pension Liability is reported in the accompanying statement of net position as follows:

	Net Pension Liability
CalPERS Pension Plan	\$ 23,828,761
CalSTRS Pension Plan	46,749,600
<b>Total</b>	<b>\$ 70,578,361</b>

**Deferred Outflows of Resources**

Deferred Outflows of Resources are reported in the accompanying statement of net position as follows:

	Deferred employer pension contributions made after measurement date	Employer's actual contributions in excess of Employer's proportionate share of contributions
CalPERS Pension Plan	\$ 2,824,261	\$ 14,951
CalSTRS Pension Plan	3,539,234	25,477
<b>Total</b>	<b>\$ 6,363,495</b>	<b>\$ 40,428</b>

**Deferred Inflows of Resources**

Deferred Inflows of Resources are reported in the accompanying statement of net position as follows:

	Investment earnings greater than expected earnings
CalPERS Pension Plan	\$ 8,187,829
CalSTRS Pension Plan	11,512,000
<b>Total</b>	<b>\$ 19,699,829</b>

**Pension Expense**

Pension expenses are included in the accompanying statement of revenues, expenses, and Change in Net Position as follows:

	Net Pension Expense
CalPERS Pension Plan	\$ 2,123,046
CalSTRS Pension Plan	4,040,246
<b>Total</b>	<b>\$ 6,163,292</b>



**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Pension Plans (Continued)**

**B. CalPERS Pension Plan**

**Plan Description**

Most full-time classified (non-academic) employees participate in the School Employer Pool under CalPERS, a cost-sharing multiple-employer contributory 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' Retirement Law (Part 3 of the California Government Code, §22000 et seq.). CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office located at 400 P Street, Sacramento, CA 95814.

**Benefits Provided**

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 55, with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) members become eligible for service retirement upon attainment of age 62, with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 full-time equivalent monthly pay. Retirement benefits for classic employees are calculated as 2.0%, of the average final 12 months compensation multiplied by years of service. Retirement benefits for PEPRA employees are calculated as 2.0% of the average final 36 months compensation multiplied by years of service.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the District to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Pension Plans (Continued)**

**B. CalPERS Pension Plan (Continued)**

**Employees Covered**

At June 30, 2015 the following employees were covered by the benefit terms for:

Inactive employees or beneficiaries currently receiving benefits	604
Inactive employees entitled to but not yet receiving benefits	48
Active employees	349

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active contribution rate was 7.0% of annual payroll. The required employer’s contribution rate was 11.442% of annual payroll.

For the measurement period ended June 30, 2014, the plan’s proportionate share of aggregate employer contributions made was as follows:

Contributions - employer	\$ 2,521,670
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**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The District’s net pension liability for is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2014, and the total pension liability for used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2015, the District reported net pension liability for its proportionate shares of the net pension liability as follows:

		<b>Increase (Decrease)</b>		
	<b>Plan Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Plan Net Pension Liability/(Asset)</b>	
Balance at: 6/30/13 (Valuation date)	\$ 136,510,851	\$ 104,086,905	\$ 32,423,946	
Balance at: 6/30/14 (Measurement date)	143,346,586	119,517,825	23,828,761	
Net Changes during 2013-2014	6,835,735	15,430,920	(8,595,185)	

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Pension Plans (Continued)**

**B. CalPERS Pension Plan (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

Proportion June 30, 2013	0.20990%
Proportion June 30, 2014	0.20990%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2015, the District recognized pension expense in the amount of \$701,215.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Pension Plans (Continued)**

**B. CalPERS Pension Plan (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (8,187,829)
Difference between District contributions and proportionate share of contributions	14,951	-
Total	\$ 14,951	\$ (8,187,829)

For the Plan, \$2,824,261 was reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	<b>Deferred Outflows/ (Inflows) of Resources</b>
2016	\$ (2,041,802)
2017	(2,041,802)
2018	(2,042,316)
2019	(2,046,958)
2020	-
Thereafter	-
	\$ (8,172,878)

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No.
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Pension Plans (Continued)**

**B. CalPERS Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Employers of the Schools Pool Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Pension Plans (Continued)**

**B. CalPERS Pension Plan (Continued)**

**Discount Rate (Continued)**

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestl	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflatin of 3.0% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability for , calculated using the discount rate for , as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
\$ 41,801,086	\$ 23,828,761	\$ 8,811,071

**Pension Plan Fiduciary Net Position**

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

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Pension Plans (Continued)**

**C. CalSTRS Pension Plan**

**Plan Description**

Most full-time certificated (academic) employees participate in CalSTRS, a cost-sharing multiple-employer contributory public employee retirement system defined benefit pension plan. 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 State Teachers' Retirement Law (Part 13 of the California Education Code, §22000 et seq.). Public Employee Pension Reform Act (PEPRA) members become eligible for service retirement upon attainment of age 62 with at least five years of service. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS' annual financial report may be obtained from the CalSTRS Executive Office located at 7667 Folsom Boulevard, Sacramento, California 95826.

Under State Teachers' Retirement Law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees as of June 30, 2015.

**Benefits Provided**

CalSTRS 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' Retirement Law. Retirement benefits for classic employees are calculated as 2.0% of the average final 12 months compensation multiplied by years of service. Retirement benefits for PEPRA employees are calculated as 2.0% of the average final 36 months compensation multiplied by years of service.

**Employees Covered**

At June 30, 2015 the following employees were covered by the benefit terms for :

Inactive employees or beneficiaries currently receiving benefits	604
Inactive employees entitled to but not yet receiving benefits	48
Active employees	349

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalSTRS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active contribution rate was 8.0% of annual payroll for the Plan. The average employer's contribution rate was 8.88% for the Plan.

For the measurement period ended June 30, 2014, the plan's proportionate share of aggregate employer contributions made for the Plan was as follows:

Contributions - employer	\$ 2,921,703
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**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Pension Plans (Continued)**

**C. CalSTRS Pension Plan (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 for the Plan using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Increase (Decrease)</b>		
	<b>Plan Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Plan Net Pension Liability/(Asset)</b>
Balance at: 6/30/13 (Valuation date)	\$ 190,228,800	\$ 133,078,400	\$ 57,150,400
Balance at: 6/30/14 (Measurement date)	199,128,800	152,379,200	46,749,600
Net Changes during 2013-2014	8,900,000	19,300,800	(10,400,800)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).



**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Pension Plans (Continued)**

**C. CalSTRS Pension Plan (Continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

The District’s proportionate share of the net pension liability as of June 30, 2013 and 2014 was as follows:

Proportion June 30, 2013	0.08000%
Proportion June 30, 2014	0.08000%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2015, the District recognized pension expense in the amounts of \$4,040,246.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 7 years.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (11,512,000)
Difference between District contributions and proportionate share of contributions	25,477	-
Total	\$ 25,477	\$ (11,512,000)

For the Plan, \$3,539,234 was reported as deferred outflows of resources related to pensions resulting from District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	<b>Deferred Outflows/ (Inflows) of Resources</b>
2016	\$ (2,873,354)
2017	(2,873,354)
2018	(2,873,354)
2019	(2,874,954)
2020	4,246
Thereafter	4,247
	\$ (11,486,523)

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Pension Plans (Continued)**

**C. CalSTRS Pension Plan (Continued)**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Stmt. No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	3.00%
Salary Increases	3.75%
Investment Rate of Return	7.60% Net of Pension Plan Investment , but gross of Administrative Expenses
Mortality Rate Table	Custom tables based on RP2000 series tables adjusted to fit CalSTRS experience
Post Retirement Benefit Increase	2.00% simple for DB, Not applicable for DBS/CBB

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006 – June 30, 2010, including updates to salary increase, mortality and retirement rates.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expenses occur mid-year. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Pension Plans (Continued)**

**C. CalSTRS Pension Plan (Continued)**

**Discount Rate (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (“Consultant”) as an input to the process. Based on the model from CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by the Consultant is based on CalSTRS board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as an input to develop the actuarial investment rate of return are summarized in the following table:

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

<sup>1</sup>10-year geometric average

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.6%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.6%) or one percentage point higher (8.6%) than the current rate:

<b>Plan's Aggregate Net Pension Liability/(Asset)</b>		
<b>Discount Rate - 1%</b> <b>(6.60%)</b>	<b>Current Discount</b> <b>Rate (7.60%)</b>	<b>Discount Rate + 1%</b> <b>(8.60%)</b>
\$ 72,870,400	\$ 46,749,600	\$ 24,969,600

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalSTRS financial reports.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 9 – Risk Management**

The District’s risks management activities include property and liability and worker’s compensation insurance programs.

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.

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 10 – Joint Ventures (Joint Powers Agreement)**

The District participates in a joint powers agreement (JPA) entity called the Statewide Association of Community Colleges (SWACC). The relationship between the District and the JPA is such that the JPA is not a component unit of the District. The JPA is governed by a board consisting of a representative from each member district.

SWACC provides liability and property insurance for approximately nineteen community colleges. SWACC is governed by a board comprised of a member of each of the participating districts. The board controls the operation of SWACC, including the selection of management and approval of board members beyond their representation on the board. Each member shares in the surpluses and deficits proportionally to its participation in SWACC.

This entity has budgeting and financial reporting requirements independent of member units and the financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. The District’s share of year-end assets, liabilities or fund equity has not been calculated. The most recently available audited financial statements are as follows:

	June 30, 2014
Assets	\$ 54,045,044
Liabilities	\$ 23,536,002
Net position	\$ 30,509,042
Operating revenues	\$ 9,348,523
Operating expenses	\$ 7,806,532
Nonoperating revenues (expenses)	\$ (2,275,914)
Change in net position	\$ (733,923)

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 11 – Commitments and Contingencies**

**Litigation**

The District is periodically involved in various litigations. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the District's financial statements.

**Sick Leave**

Sick leave accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recorded in the accompanying financial statements.

**Grants and Contracts**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**Construction**

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$27,836,000 as of June 30, 2015.

**Note 12 – Deficit Net Position**

At June 30, 2015 the District had an unrestricted net position deficit of \$79,807,157 and a total net position deficit of \$17,562,247. This deficit was caused by the implementation of GASB Statements 68 and 71 as described in Note 8.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 13 – Prior Period Adjustment**

The beginning net position at July 1, 2014 was restated as follows:

Beginning Net Position, as previously reported	\$ 65,730,319
Prior period adjustments:	
Report proportionate share of pension contributions made during the measurement period as deferred outflows of resources due to implementation of GASB 68	5,450,047
Report of actual contribution made during the measurement period, net of proportionate share of contribution	49,829
Report net pension liability due to the implementation of GASB 68	(89,574,346)
Beginning Net Position, as restated	\$ (18,344,151)

The City implemented GASB Statements No. 68 and No. 71 during the year ended June 30, 2015. The restatement to the beginning net position is to report the net pension liabilities for the District’s CalSTRS and CalPERS plans in accordance with GASB Statements No. 68 and No. 71 based on the measurement date of June 20, 2014.

**Note 14 – Subsequent Events**

**Fiscal Independence**

The District was granted financial independence on July 1, 2015. This independence gives the District broad authority to issue warrants, accounts payable warrants and payroll warrants included, without review or approval of the County Office of Education or County Auditor. Under California Education Code Section 85266.5, financial independence is granted by the Board Of Governors, based largely on the recommendation from the community college district’s applicable county offices and results of an independent Certified Public Accountant survey of the district’s accounting controls.

**Issuance of Debt**

The District issued Election of 2008 General Obligation bonds, Series D on July 7, 2015 in the amount of \$121.6 million. The bonds were authorized at an election of the registered voters of the District held in November, 2008. The authorization approved in 2008 of \$389 million has resulted in funding Series A and Series B for an aggregate \$100 million, Series C of \$68.7 million and Series D of \$121.6 million.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**Southwestern Community College District  
Required Supplementary Information (Unaudited)  
For the Year Ended June 30, 2015**

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**Note 1 – Schedules of the Proportionate Share of the Net Pension Liability**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") Plan**

	June 30, 2014 <sup>1</sup>
Measurement Period	0.20990%
District's Proportion of the Net Pension Liability	\$ 23,828,761
District's Proportionate Share of the net Pension Liability	\$ 22,245,705
District's Covered-Employee Payroll	107.12%
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	83.38%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	

**California State Teachers' Retirement System ("CalSTRS") Plan**

	June 30, 2014 <sup>1</sup>
Measurement Period	0.08000%
District's Proportion of the Net Pension Liability	\$ 46,749,600
District's Proportionate Share of the net Pension Liability	\$ 35,763,671
District's Covered-Employee Payroll	130.72%
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	76.52%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.



**Southwestern Community College District  
Required Supplementary Information (Unaudited)(Continued)  
For the Year Ended June 30, 2015**

**Note 2 – Schedules of Contributions**

**Last Ten Fiscal Years**

<b>California Public Employees' Retirement System ("CalPERS") Plan</b>	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 2,824,261	\$ 2,545,353
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(2,824,261)	(2,545,353)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3</sup>	\$ 23,993,385	\$ 22,245,705
Contributions as a Percentage of Covered-Employee Payroll	11.77%	11.44%
 <b>California State Teachers' Retirement System ("CalSTRS") Plan</b>	 2014-15 <sup>1</sup>	 2013-14 <sup>1</sup>
Actuarially Determined Contribution	\$ 3,539,234	\$ 2,954,523
Contribution in Relation to the Actuarially Determined Contribution	(3,539,234)	(2,954,523)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3</sup>	\$ 39,853,588	\$ 35,763,671
Contributions as a Percentage of Covered-Employee Payroll	8.88%	8.26%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" are not considered separately financed specific liabilities.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to Schedule**

**Change in Benefit Terms:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

**Changes of Assumptions:** There were no changes in assumptions.

**Southwestern Community College District  
 Required Supplementary Information (Unaudited)(Continued)  
 For the Year Ended June 30, 2015**

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**Note 3 - Schedule of Funding Progress**

Other Post Employment Benefits (OPEB)

A schedule of funding progress for the year ended June 30, 2015 including the actuarial valuations is presented below.

<b>Actuarial Valuation Date</b>	<b>Actuarial Asset Value</b>	<b>Entry Age Actuarial Accrued Liabilities</b>	<b>Unfunded Actuarial Accrued Liabilities</b>	<b>Funded Ratio</b>	<b>Estimated Covered Payroll</b>	<b>Actuarial Liabilities as Percentage of Liabilities as Covered Payroll</b>
2/1/2014	\$ 2,156,350	\$ 11,884,471	\$ 9,728,121	18.14%	\$ 45,861,000	21.21%

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# **SUPPLEMENTARY INFORMATION**

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**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances**  
**June 30, 2015**

	General Fund - Unrestricted	General Fund - Restricted	Prop AA Bond Fund	Prop R Bond Fund	Student Center
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 16,667,499	\$ 4,780,202	\$ -	\$ -	\$ 374,433
Accounts receivable	2,015,649	2,357,870	-	89,353	94
Inventories	95,861	-	-	-	-
Prepaid items	58,899	-	-	-	-
Due from other funds	496,501	209,032	-	2	1,449
Restricted cash and investments	-	-	-	75,426,852	-
<b>Total current assets</b>	<b>19,334,409</b>	<b>7,347,104</b>	<b>-</b>	<b>75,516,207</b>	<b>375,976</b>
Noncurrent assets:					
Capital assets, net	-	-	-	-	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 19,334,409</b>	<b>\$ 7,347,104</b>	<b>\$ -</b>	<b>\$ 75,516,207</b>	<b>\$ 375,976</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	3,518,375	780,892	-	1,861,511	-
Payroll and related liabilities	2,671,516	-	-	-	-
Compensated absences	3,182,791	-	-	-	-
Unearned revenue	863,363	4,584,965	-	-	-
Due to other funds	693,369	209,032	-	12,928	-
Deposits payable	-	-	-	-	-
<b>Total liabilities</b>	<b>10,929,414</b>	<b>5,574,889</b>	<b>-</b>	<b>1,874,439</b>	<b>-</b>
<b>Fund Balances</b>	<b>8,404,995</b>	<b>1,772,215</b>	<b>-</b>	<b>73,641,768</b>	<b>375,976</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,334,409</b>	<b>\$ 7,347,104</b>	<b>\$ -</b>	<b>\$ 75,516,207</b>	<b>\$ 375,976</b>

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)**  
**June 30, 2015**

	Capital Outlay	Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 3,634,200	\$ 942,403	\$ 395,218	\$ 866,838	\$ 118,281
Accounts receivable	3,585	480,247	16,689	11,885	545
Inventories	-	826,259	163,926	-	-
Prepaid items	-	-	-	-	-
Due from other funds	463,650	10,186	9,481	-	-
Restricted cash and investments	-	-	-	-	-
<b>Total current assets</b>	<b>4,101,435</b>	<b>2,259,095</b>	<b>585,314</b>	<b>878,723</b>	<b>118,826</b>
Noncurrent assets:					
Capital assets, net	-	13,900	46,108	43,983	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>13,900</b>	<b>46,108</b>	<b>43,983</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 4,101,435</b>	<b>\$ 2,272,995</b>	<b>\$ 631,422</b>	<b>\$ 922,706</b>	<b>\$ 118,826</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	867,729	224,829	10,035	224	9
Payroll and related liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Unearned revenue	15,108	2,106	11,779	19,390	-
Due to other funds	-	57,637	409,620	16,315	-
Deposits payable	-	-	-	83,821	-
<b>Total liabilities</b>	<b>882,837</b>	<b>284,572</b>	<b>431,434</b>	<b>119,750</b>	<b>9</b>
<b>Fund Balances</b>	<b>3,218,598</b>	<b>1,988,423</b>	<b>199,988</b>	<b>802,956</b>	<b>118,817</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,101,435</b>	<b>\$ 2,272,995</b>	<b>\$ 631,422</b>	<b>\$ 922,706</b>	<b>\$ 118,826</b>

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)**  
**June 30, 2015**

	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 955,458	\$ -	\$ 475,158	\$ 29,209,690
Accounts receivable	7,535	-	465	4,983,917
Inventories	-	-	-	1,086,046
Prepaid items	-	-	-	58,899
Due from other funds	24,231	-	184,369	1,398,901
Restricted cash and investments	-	15,075,536	-	90,502,388
<b>Total current assets</b>	<b>987,224</b>	<b>15,075,536</b>	<b>659,992</b>	<b>127,239,841</b>
Noncurrent assets:				
Capital assets, net	-	-	-	103,991
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,991</b>
<b>Total assets</b>	<b>\$ 987,224</b>	<b>\$ 15,075,536</b>	<b>\$ 659,992</b>	<b>\$ 127,343,832</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	983,252	-	-	\$ 8,246,856
Payroll and related liabilities	-	-	-	2,671,516
Compensated absences	-	-	-	3,182,791
Unearned revenue	-	-	-	5,496,711
Due to other funds	-	-	-	1,398,901
Deposits payable	-	-	-	83,821
<b>Total liabilities</b>	<b>983,252</b>	<b>-</b>	<b>-</b>	<b>21,080,596</b>
<b>Fund Balances</b>	<b>3,972</b>	<b>15,075,536</b>	<b>659,992</b>	<b>106,263,236</b>
<b>Total liabilities and fund balances</b>	<b>\$ 987,224</b>	<b>\$ 15,075,536</b>	<b>\$ 659,992</b>	<b>\$ 127,343,832</b>

**Southwestern Community College District**  
**Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances**  
**to Government-Wide Statement of Net Position**  
**June 30, 2015**

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<b>Total Fund Balances reported in the Combining Balance Sheet</b>	<b>\$ 106,263,236</b>
 Amounts reported in the Statement of Net Position are differently because:	
 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	
Government-Wide capital assets	200,626,322
Less enterprise funds capital assets	<u>(60,008)</u>
Total capital assets not reported in the funds	<u>200,566,314</u>
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net OPEB liability	(3,717,552)
Net pension liability	(70,578,361)
Bonds payable - due within one year	(5,865,000)
Bonds payable - due in more than one year	<u>(223,018,800)</u>
Total long-term liabilities not reported in the funds	<u>(303,179,713)</u>
 Deferred amounts on bond refunding do not require current financial resources. Therefore, they are not reported in the governmental funds.	
	(1,823,682)
 Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements.	
	<u>6,363,495</u>
 Difference between employer actual contribution and employer's proportionate share of contribution	
Deferred adjustments due negative differences in actual contributions and employer's proportionate share of contributions	40,428
 Difference between projected and actual earnings on pension plan investments are reported in the government-wide statements.	
Actual earnings over projected earnings	(19,699,829)
 Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds.	
	<u>(5,285,568)</u>
 Student activities are fiduciary activities and therefore are not reported in the Government-Wide Statement of Net Position.	
Associated Student Trust	(802,956)
Academic Affairs	<u>(3,972)</u>
Total fiduciary activities	<u>(806,928)</u>
 <b>Net Position</b>	 <b>\$ <u>(17,562,247)</u></b>

**Southwestern Community College District**  
**Combining Schedule of Revenues, Expenditures/Expenses**  
**and Changes in Fund Equity/Net Position**  
**For the Year Ended June 30, 2015**

	General Fund - Unrestricted	General Fund - Restricted	Prop AA Bond Fund	Prop R Bond Fund	Student Center
<b>OPERATING REVENUES:</b>					
Tuition and fees	\$ 5,390,938	\$ 1,459,576	\$ -	\$ -	\$ 152,297
Federal grant, non-capital	220,333	3,104,101	-	-	-
State grant, non-capital	-	-	-	-	-
Local grant, non-capital	473,469	746,381	-	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-
Other operating revenues	-	-	-	-	-
<b>Total operating revenues</b>	<b>6,084,740</b>	<b>5,310,058</b>	<b>-</b>	<b>-</b>	<b>152,297</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>					
Salaries	61,927,536	9,329,935	-	84,789	-
Employee benefits	14,520,497	1,934,082	-	20,377	-
Payments to students	148,974	802,190	-	-	-
Supplies, materials, and other expenses	8,482,821	3,994,210	451	30,790,699	43,819
Utilities	2,326,403	37,179	-	-	-
Depreciation	-	-	-	-	-
<b>Total operating expenditures/expenses</b>	<b>87,406,231</b>	<b>16,097,596</b>	<b>451</b>	<b>30,895,865</b>	<b>43,819</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>(81,321,491)</b>	<b>(10,787,538)</b>	<b>(451)</b>	<b>(30,895,865)</b>	<b>108,478</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>					
Federal grant, non-capital	-	-	-	-	-
State apportionments, non-capital	60,270,316	9,345,254	-	-	-
Local property taxes, non-capital	20,044,793	-	-	-	-
Investment income	88,206	-	-	347,596	474
Other non-operating revenue(expense)	627,096	777,379	-	160,000	-
Debt service:					
Proceeds from bond issuance	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-
Deposit to escrow	-	-	-	-	-
Costs of bond issuance	-	-	-	-	-
Principal payment	-	-	-	-	(90,000)
Interest and fiscal charges	-	-	-	-	-
<b>Total non-operating expenditures/expenses</b>	<b>81,030,411</b>	<b>10,122,633</b>	<b>-</b>	<b>507,596</b>	<b>(89,526)</b>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<b>(291,080)</b>	<b>(664,905)</b>	<b>(451)</b>	<b>(30,388,269)</b>	<b>18,952</b>
<b>TRANSFERS:</b>					
Transfers in	-	664,907	-	-	-
Transfers out	(764,907)	-	-	-	-
<b>Transfers</b>	<b>(764,907)</b>	<b>664,907</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balance/net position</b>	<b>(1,055,987)</b>	<b>2</b>	<b>(451)</b>	<b>(30,388,269)</b>	<b>18,952</b>
<b>FUND EQUITY/NET POSITION:</b>					
Beginning of year	9,460,982	1,772,213	451	104,030,037	357,024
End of year	<u>\$ 8,404,995</u>	<u>\$ 1,772,215</u>	<u>\$ -</u>	<u>\$ 73,641,768</u>	<u>\$ 375,976</u>



**Southwestern Community College District**  
**Combining Schedule of Revenues, Expenditures/Expenses**  
**and Changes in Fund Equity/Net Position (Continued)**  
**For the Year Ended June 30, 2015**

	Capital Outlay	Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid
<b>OPERATING REVENUES:</b>					
Tuition and fees	\$ -	\$ -	\$ -	\$ 289,151	\$ -
Federal grant, non-capital	-	-	-	-	1,854,032
State grant, non-capital	-	-	-	-	2,368,259
Local grant, non-capital	-	-	-	-	-
Auxiliary enterprise sales and charges	-	3,133,808	1,752,074	-	-
Other operating revenues	-	-	-	3,009	-
<b>Total operating revenues</b>	<b>-</b>	<b>3,133,808</b>	<b>1,752,074</b>	<b>292,160</b>	<b>4,222,291</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>					
Salaries	-	506,426	722,125	90,007	-
Employee benefits	-	121,084	198,092	1,754	-
Payments to students	-	-	-	52,000	29,804,501
Supplies, materials, and other expenses	1,816,035	2,439,116	1,035,764	222,709	-
Utilities	-	3,348	1,080	2,952	-
Depreciation	-	10,937	12,166	-	-
<b>Total operating expenditures/expenses</b>	<b>1,816,035</b>	<b>3,080,911</b>	<b>1,969,227</b>	<b>369,422</b>	<b>29,804,501</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>(1,816,035)</b>	<b>52,897</b>	<b>(217,153)</b>	<b>(77,262)</b>	<b>(25,582,210)</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>					
Federal grant, non-capital	-	-	-	-	25,627,461
State apportionments, non-capital	-	-	-	-	-
Local property taxes, non-capital	-	-	-	-	-
Investment income	12,882	176	-	-	19
Other non-operating revenue(expense)	1,826,204	34,132	-	59,251	-
Debt service:					
Proceeds from bond issuance	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-
Deposit to escrow	-	-	-	-	-
Costs of bond issuance	-	-	-	-	-
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total non-operating expenditures/expenses</b>	<b>1,839,086</b>	<b>34,308</b>	<b>-</b>	<b>59,251</b>	<b>25,627,480</b>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<b>23,051</b>	<b>87,205</b>	<b>(217,153)</b>	<b>(18,011)</b>	<b>45,270</b>
<b>TRANSFERS:</b>					
Transfers in	100,000	-	-	-	-
Transfers out	-	-	-	-	-
<b>Transfers</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balance/net position</b>	<b>123,051</b>	<b>87,205</b>	<b>(217,153)</b>	<b>(18,011)</b>	<b>45,270</b>
<b>FUND EQUITY/NET POSITION:</b>					
Beginning of year	3,095,547	1,901,218	417,141	820,967	73,547
End of year	<u>\$ 3,218,598</u>	<u>\$ 1,988,423</u>	<u>\$ 199,988</u>	<u>\$ 802,956</u>	<u>\$ 118,817</u>

**Southwestern Community College District**  
**Combining Schedule of Revenues, Expenditures/Expenses**  
**and Changes in Fund Equity/Net Position (Continued)**  
**For the Year Ended June 30, 2015**

	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance	Total
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$ -	\$ -	\$ -	\$ 7,291,962
Federal grant, non-capital	-	-	-	5,178,466
State grant, non-capital	-	-	-	2,368,259
Local grant, non-capital	-	-	-	1,219,850
Auxiliary enterprise sales and charges	-	-	-	4,885,882
Other operating revenues	-	-	-	3,009
<b>Total operating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,947,428</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>				
Salaries	-	-	-	72,660,818
Employee benefits	-	-	-	16,795,886
Payments to students	-	-	-	30,807,665
Supplies, materials, and other expenses	13,288	-	-	48,838,912
Utilities	-	-	-	2,370,962
Depreciation	-	-	-	23,103
<b>Total operating expenditures/expenses</b>	<b>13,288</b>	<b>-</b>	<b>-</b>	<b>171,497,346</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>(13,288)</b>	<b>-</b>	<b>-</b>	<b>(150,549,918)</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>				
Federal grant, non-capital	-	-	-	25,627,461
State apportionments, non-capital	-	-	-	69,615,570
Local property taxes, non-capital	-	17,195,226	-	37,240,019
Investment income	19,110	38,528	1,913	508,904
Other non-operating revenue(expense)	-	2,104,955	184,369	5,773,386
Debt service:				
Proceeds from bond issuance	-	27,045,000	-	27,045,000
Premium on bond issuance	-	4,030,391	-	4,030,391
Deposit to escrow	-	(30,784,263)	-	(30,784,263)
Costs of bond issuance	-	(291,128)	-	(291,128)
Principal payment	-	(6,115,000)	-	(6,205,000)
Interest and fiscal charges	-	(12,215,896)	-	(12,215,896)
<b>Total non-operating expenditures/expenses</b>	<b>19,110</b>	<b>1,007,813</b>	<b>186,282</b>	<b>120,344,444</b>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<b>5,822</b>	<b>1,007,813</b>	<b>186,282</b>	<b>(30,205,474)</b>
<b>TRANSFERS:</b>				
Transfers in	-	-	-	764,907
Transfers out	-	-	-	(764,907)
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balance/net position</b>	<b>5,822</b>	<b>1,007,813</b>	<b>186,282</b>	<b>(30,205,474)</b>
<b>FUND EQUITY/NET POSITION:</b>				
Beginning of year	(1,850)	14,067,723	473,710	136,468,710
End of year	<u>\$ 3,972</u>	<u>\$ 15,075,536</u>	<u>\$ 659,992</u>	<u>\$ 106,263,236</u>

**Southwestern Community College District**  
**Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses and Changes in**  
**Fund Equity to Government-Wide Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2015**

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**Revenues and other financing sources over (under) expenditures/expenses and other financing uses** \$ (30,205,474)

Amounts reported in the Statement of Activities were different because:

Capital outlay expenditures reported in the governmental funds that were not capitalized on the Government-Wide Statement of Net Position were reclassified as Supplies, Materials, and Other Expenses. 31,559,638

Disposal of capital assets provided current financial resources to governmental funds, but disposal of capital assets decreased capital assets in the Government-Wide Statement of Net Position. (17,627)

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation was not reported as an expenditure in governmental funds (net of \$23,103 in funds). (6,268,921)

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest was not reported as an expenditure in governmental funds. (125,537)

Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:

Lease revenue bonds	90,000
General Obligation bonds	<u>6,115,000</u>
Total repayment of long-term liabilities	<u>6,205,000</u>

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These differences are as follows:

Proceeds from bond issuance	(27,045,000)
Premium on bond issuance	(4,030,391)
Deposit of bond issuance proceeds to escrow for bond defeasance	<u>30,784,263</u>
	(291,128)

Amortization expense on unamortized bond premiums is reported in the Government-Wide Statement of Activities and Changes in Net Position, but does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds. (780,428)

Changes in the net pension liability reported in the Statement of Activities did not require the use of current financial resources and, therefore, was not reported as an expenditure in the governmental funds. 200,203

Net OPEB liability is reported in the Government-Wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, the change in the OPEB liability is not reported as an expenditure in governmental funds. (1,066,867)

Student activities are fiduciary activities and therefore are not reported in the government-wide statement of activities.

Associated Student Trust	18,011
Academic Affairs	<u>(5,822)</u>
Total fiduciary activities	<u>12,189</u>

**Change in Net Position** \$ 781,904

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# **SINGLE AUDIT**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditors' Report**

To the Board of Trustees  
of the Southwestern Community College District  
Chula Vista, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees  
of the Southwestern Community College District  
Chula Vista, California  
Page 2

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a vertical line through the letter 'J'.

San Diego, California  
December 31, 2015





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**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**

**Independent Auditors' Report**

To the Board of Trustees  
of the Southwestern Community College District  
Chula Vista, California

**Report on Compliance for Each Major Federal Program**

We have audited the Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the District as of and for the year ended June 30, 2015, and the related notes to the financial statements. We issued our report thereon dated December 31, 2015 which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Purpose of this Report**

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

Handwritten signature in black ink that reads "Rick Mc Geady LLP".

San Diego, California  
December 31, 2015

**Southwestern Community College District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure
<b><u>U.S. Department of Education:</u></b>				
<b>Direct Programs:</b>				
<b>Financial Aid Cluster:</b>				
	PELL	84.063	P063P101184	\$ 25,627,461
	SEOG	84.007	P0078100617	371,375
	Direct Loans	84.268	P268K111184	1,434,786
	Federal Work Study	84.033	P033A100617	346,257
<b>Sub-total Financial Aid Cluster</b>				<b>27,779,879</b>
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A100052	30,979
	Career and Technical Education - National Programs	84.051	11-C01-063	812,734
	Tech Prep, now CTE Transitions	84.051	11-112-090	42,535
<b>Sub-total 84.051</b>				<b>855,269</b>
<b>Total U.S. Department of Education</b>				<b>28,666,127</b>
<b><u>U.S. Department of Rehabilitation:</u></b>				
<b>Passed through State of California Department of Rehabilitation:</b>				
	State Vocational Rehabilitation Program	84.126A	29018/SCPRS 1324967	112,500
<b>Total U.S. Department of Rehabilitation</b>				<b>112,500</b>
<b><u>U.S. Department of Defense:</u></b>				
<b>Direct Programs:</b>				
	Procurement Technical Assistance	12.002	SP4800-11-2-1149	327,741
<b>Total U.S. Department of Defense</b>				<b>327,741</b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
<b>Passed through City of Calexico:</b>				
	Small Business Micro-Enterprise	14.218	AR4085.14	96,378
<b>Total U.S. Department of Housing and Urban Development</b>				<b>96,378</b>
<b><u>National Science Foundation:</u></b>				
<b>Direct Programs:</b>				
	Intergovernmental Personnel Act	47.076	DUE 1251291-001	171,905
<b>Passed through Kentucky Community &amp; Technical College System:</b>				
	GeoTech Center: Innovation in Geospatial Information	47.076	DUE-1304591	55,569
<b>Total National Science Foundation</b>				<b>227,474</b>
<b><u>Small Business Administration:</u></b>				
<b>Direct Programs:</b>				
	2014 U.S. SBA Grant	59.037	SBAHQ-12-B-0075(2-6303001-Z-0064)	860,246
	Small Business Jobs Act Program	59.037	SBAHQ-12-B-0067	123,105
<b>Total Small Business Administration</b>				<b>983,351</b>
<b><u>U.S. Department of Veterans Affairs</u></b>				
<b>Direct Programs:</b>				
	Post-9/11 Veterans Educational Assistance	64.027	38 USC 3684	15,432
<b>Total U.S. Department of Veterans Affairs</b>				<b>15,432</b>
<b><u>U.S. Department of Health &amp; Human Services:</u></b>				
<b>Direct Programs:</b>				
	Predictive Structure-Based Models of Malaria Resistance	93.859	5SC3GM 100791-02	90,557
<b>Passed through San Diego State University Research Foundation:</b>				
	SDSU Bridges to Baccalaureate Program	93.859	55127H P1598 7804 212	3,730
<b>Total U.S. Department of Health &amp; Human Services</b>				<b>94,287</b>
<b><u>U.S. Department of Homeland Security:</u></b>				
<b>Passed through the U.S. Customs and Border Protection Agency:</b>				
	Paramedic Refresher Training Course	97.UNK	AR3586.12	6,532
<b>Total U.S. Department of Veterans Affairs</b>				<b>6,532</b>
<b>Total expenditures of federal awards</b>				<b>\$ 30,529,822</b>

**Southwestern Community College District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity**

The financial reporting entity consists of the primary government, Southwestern Community College District (District), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Note 2 – 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, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Consistent with management's policy, federal, state and local awards are recorded in various revenue categories. As a result, the amount of total awards expended on the Schedule does not agree to total grant and contract revenues on the Statement of Revenues, Expenditures and Changes in Net Position.

**Southwestern Community College District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section I – Summary of Audit Results**

**Financial Statements**

Types of auditors' report issued:	<b>Unmodified</b>
Internal control over financial reporting:	
• Material weakness(es) identified?	<b>No</b>
• Significant deficiency(ies) identified?	<b>None Reported</b>
Non-compliance material to the financial statements identified?	<b>No</b>

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	<b>No</b>
• Significant deficiency(ies) identified?	<b>None Reported</b>
Type of auditor's report issued on compliance for major programs	<b>Unmodified</b>
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of OMB Circular A-133	<b>No</b>

Identification of major programs:

<b>Major Program</b>	<b>CFDA</b>	<b>Expenditures</b>
Financial Aid Cluster:		
PELL	84.063	\$ 25,627,461
SEOG	84.007	371,375
Federal Direct Student Loans	84.268	1,434,786
Federal Work Study	84.033	346,257
	Total financial aid cluster	27,779,879
	<b>Total Major Program Expenditures</b>	<b>\$ 27,779,879</b>
	<b>Total Expenditures of Federal Awards</b>	<b>\$ 30,529,822</b>
	<b>Percent of Total Expenditures of Federal Awards</b>	<b>90.99%</b>

Dollar threshold used to distinguish between type A and type B programs **\$915,895**

Auditee qualified as low-risk auditee under section 530  
of OMB Circular A-133? **Yes**

**Southwestern Community College District  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2015**

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**Section II – Financial Statement Findings**

No financial statements findings were noted.

**Section III- Federal Awards Findings**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted on the District’s major programs for the year ended June 30, 2015.

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit**

No findings or questioned costs were noted on the District’s major programs for the year ended June 30, 2014.

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# STATE COMPLIANCE

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## REPORT ON STATE COMPLIANCE REQUIREMENTS

### Independent Auditors' Report

To the Board of Trustees  
of the Southwestern Community College District  
Chula Vista, California

We have audited Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (the "CDAM") 2014-2015, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2015.

### **Management's Responsibility**

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our audit.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance based on our audit of the types of compliance referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the California Community Colleges Contracted Audit Manual (CDAM) 2014-2015, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the 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 on the District's compliance with the state laws and regulations referred to above.

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 College Contracted District Audit Manual (CDAM).

### **421 – Salaries of Classroom Instructors (Fifty Percent Law)**

The District's salaries of classroom instructors equaled or exceeded fifty percent of the District's current expense of education (CEE) in accordance with §84362 of the Education Code.

### **423 – Apportionment for Instructional Service Agreements/Contracts**

The District did not claim apportionment for classes given through instructional service agreements, except as allowed by the California Community Colleges Chancellor's Office and the California Department of Finance.

### **424 – State General Apportionment Required Data Elements**

The District maintains a separate and complete tabulation for each course section reported on the Apportionment Attendance Report Form CCFS-320.

#### **425 – Residency Determination for Credit Courses**

The District claimed only the attendance of California residents for state support of credit courses.

#### **426 – Students Actively Enrolled**

The District claimed only the attendance of students actively enrolled in a course section as of the census date for apportionment.

#### **427 – Concurrent Enrollment of K-12 Students in Community College Credit Courses**

The District claimed full-time equivalent students for K-12 students in accordance with Education Code §48800–48802, §76000–76002, and §84752 and California Code of Regulations, Title 5, §51004, §51006, §51021, §53410, §55002, §55100, §58100–58108, §58050, §58051(a) (1), §58051.5, §58052, §58056(a), §58058, §58060, and §59300 et seq.

#### **430 – Scheduled Maintenance Program**

The District used funds provided by the State to supplement, not supplant, District deferred maintenance funds, defined as the amount spent in fiscal year 1995-1996 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and the District's match for the Scheduled Maintenance Program for the year ended June 30, 2014.

#### **431 – GANN Limit Calculation**

The District met the requirements of the GANN Amendment which establishes maximum appropriation limits for public agencies in accordance with Article XIII-B, §1.5, of the California Constitution.

#### **435 – Open Enrollment**

The District complied with the Title 5 provisions of the California Code of Regulations related to open enrollment by the general public for all courses being submitted for state apportionment funding.

#### **438 – Student Fees - Health Fees and Use of Health Fee Funds**

The District charges mandatory fees based on express statutory authority in accordance with §70902 and §76365 of the Education Code and California Code of Regulations, Title 5, §51012 and §54700-54710. During the year 2014-2015, no non-mandatory fees were charged.

#### **439 – Prop 39 Clean Energy**

The District complied with Public Resources Code §26225-26240, Education Code 84040, Approved CCC Prop 39 Energy Project Guidelines and the Project Funding Application, as well as Public Contract Code §20133 for Prop 39 Clean Energy-funded projects for the year ended June 30, 2015.

**440 – Intersession Extension Programs**

The District did not have an intersession program in place during fiscal year 2014-2015, therefore, this compliance requirement is not applicable.

**474 – Extended Opportunity Programs and Services (EOPS)/Cooperative Agencies Resources for Education/CARE**

The District expended Extended Opportunity Programs and Services (EOPS) and CARE funds to provide services that are specifically designed to supplement the college's existing support programs and to help EOPS eligible and eligible academically under-prepared, welfare-dependent, single head-of-household students complete their educational goals.

**475 – Disabled Student Programs and Services (DSPS)**

The District served eligible DSPS student and submitted accurate student-count data for fiscal year 2014-2015 to document eligible DSPS students served.

**479 – To Be Arranged Hours (TBA)**

The District listed TBA hours in the schedule of classes and described them in the course outline and tracked TBA hour student participation carefully and did not claim apportionment for TBA hours for students that had documented zero hours as of the census point for the particular course.

**490 – Proposition 1D State Bond Funded Projects**

The District did not have any Proposition 1D State Bond funded projects for fiscal year 2014-2015.

**491 – Education Protection Account**

The District properly disbursed and expended funds provided by the Education Protection Account as required by the *Schools and Local Public Safety Protection Act of 2012*.

**Opinion**

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015.

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the state laws and regulations referred to above. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 31, 2015

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# OTHER SUPPLEMENTARY INFORMATION

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**Southwestern Community College District**  
**Other Supplementary Information**  
**Purpose of Schedules**  
**For the Year Ended June 30, 2015**

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**PURPOSE OF SCHEDULES**

Schedule of Workload Measures for Program-Based Funding

Full-time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District on a full-time basis. 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 throughout the District.

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 Form CCFS-311 to the audited financial statements.

Reconciliation of the 50% Calculation with District Accounting Records

This schedule provides the information necessary to reconcile the numbers used in the District's 50% Law calculation reported on the form CCFS-311 to the District's accounting records.

Reconciliation of the Education Protection Account Expenditures with District Accounting Records

This schedule provides the information necessary to reconcile the expenditures of Education Protection Account funds reported on the Form CCFS-311 to the District's accounting records.

Schedule of Expenditures of State Awards

This schedule provides information about the types and amounts of State funding the District spent during the fiscal year.

**Southwestern Community College District**  
**Schedule of Workload Measures for State General Apportionment**  
**and Annual Actual Attendance**  
**For the Year Ended June 30, 2015**

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	8.95	-	8.95
2. Credit	319.15	-	319.15
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	3.55	-	3.55
2. Credit	1,253.57	-	1,253.57
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,480.72	-	9,480.72
(b) Daily Census Contact Hours	1,274.41	-	1,274.41
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	243.76	-	243.76
(b) Credit	493.51	-	493.51
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,095.25	-	1,095.25
(b) Daily Census Contact Hours	1,237.02	-	1,237.02
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	15,409.89	-	15,409.89

**Supplemental Information (subset of above information)**

E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	-	-	-
(b) Credit	1,960.98	-	1,960.98
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
(a) Noncredit	-	-	-
(b) Credit	-	-	-



**Southwestern Community College District**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311)**  
**with Audited Financial Statements**  
**For the Year Ended June 30, 2015**

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These fund financial statement balances are prior to various eliminations and reclassifications necessary to convert to the presentation of the financial statements as identified in the accompanying table of contents.

	General Fund Unrestricted	General Fund Restricted	Prop AA Fund	Prop R Fund	Student Center	Capital Outlay
Fund balance per the CCFS-311 at June 30, 2015	\$ 8,404,995	\$ 1,772,214	\$ -	\$ 73,641,766	\$ 375,975	\$ 3,218,598
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	-	1	-	2	1	-
Net adjustments and reclassifications	-	1	-	2	1	-
<b>Fund balance per the audited fund financial statements at June 30, 2015</b>	<b>\$ 8,404,995</b>	<b>\$ 1,772,215</b>	<b>\$ -</b>	<b>\$ 73,641,768</b>	<b>\$ 375,976</b>	<b>\$ 3,218,598</b>

**Southwestern Community College District**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311)**  
**with Audited Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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These fund financial statement balances are prior to various eliminations and reclassifications necessary to convert to the presentation of the financial statements as identified in the accompanying table of contents.

	Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance
Fund balance per the CCFS-311 at June 30, 2015	\$ 1,988,419	\$ 199,984	\$ 888,776	\$ 118,816	\$ 3,973	\$ 15,075,536	\$ 659,992
Audit adjustments	-	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	4	4	(85,820)	1	(1)	-	-
Net adjustments and reclassifications	4	4	(85,820)	1	(1)	-	-
<b>Fund balance per the audited fund financial statements at June 30, 2015</b>	<b>\$ 1,988,423</b>	<b>\$ 199,988</b>	<b>\$ 802,956</b>	<b>\$ 118,817</b>	<b>\$ 3,972</b>	<b>\$ 15,075,536</b>	<b>\$ 659,992</b>

**Southwestern Community College District**  
**Reconciliation of 50% Calculation with**  
**District Accounting Records**  
**For the Year Ended June 30, 2015**

	Object /TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported	Audit	Revised	Reported	Audit	Revised
		Data	Adjustments	Data	Data	Adjustments	Data
<u>Academic Salaries</u>							
Instructional Salaries:							
Contract or Regular	1100	\$ 16,793,542	\$ -	\$ 16,793,542	\$ 16,793,542	\$ -	\$ 16,793,542
Other	1300	15,351,656	-	15,351,656	15,375,263	-	15,375,263
Total Instructional Salaries		32,145,198	-	32,145,198	32,168,805	-	32,168,805
Non-Instructional Salaries:							
Contract or Regular	1200	-	-	-	7,715,578	-	7,715,578
Other	1400	-	-	-	621,076	-	621,076
Total Non-Instructional Salaries		-	-	-	8,336,654	-	8,336,654
Total Academic Salaries		32,145,198	-	32,145,198	40,505,459	-	40,505,459
<u>Classified Salaries</u>							
Non-Instructional Salaries:							
Regular Status	2100	-	-	-	15,181,966	-	15,181,966
Other	2300	-	-	-	1,218,816	-	1,218,816
Total Non-Instructional Salaries		-	-	-	16,400,782	-	16,400,782
Instructional Aides:							
Regular Status	2200	2,169,475	-	2,169,475	2,210,719	-	2,210,719
Other	2400	590,635	-	590,635	629,352	-	629,352
Total Instructional Aides		2,760,110	-	2,760,110	2,840,071	-	2,840,071
Total Classified Salaries		2,760,110	-	2,760,110	19,240,853	-	19,240,853
Employee Benefits	3000	7,461,780	-	7,461,780	13,942,140	-	13,942,140
Supplies and Materials	4000	-	-	-	1,424,660	-	1,424,660
Other Operating Expenses	5000	529,626	-	529,626	7,919,680	-	7,919,680
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		\$ 42,896,714	\$ -	\$ 42,896,714	\$ 83,032,792	\$ -	\$ 83,032,792
<u>Exclusions</u>							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Services							
	5900	\$ 691,930	\$ -	\$ 691,930	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives							
	6740	-	-	-	1,163,924	-	1,163,924
Objects to Exclude:							
Rents and Leases	5060	-	-	-	37,213	-	37,213
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials:							
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	2,024,480	-	2,024,480
Capital Outlay:							
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 691,930	\$ -	\$ 691,930	\$ 3,225,617	\$ -	\$ 3,225,617
Total for ECS 84362, 50% Law		\$ 42,204,784	\$ -	\$ 42,204,784	\$ 79,807,175	\$ -	\$ 79,807,175
Percent of CEE (Instructional Salary Cost / Total CEE)		52.88%	-	52.88%	100.00%	-	100.00%
50% of Current Expense of Education					\$ 39,903,588	-	\$ 39,903,588

**Southwestern Community College District**  
**Reconciliation of Education Protection Account Expenditures**  
**with District Accounting Records**  
**For the Year Ended June 30, 2015**

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Education Protection Account proceeds per the CCFS-311:      \$ 14,558,809

	<b>Activity Code (0100-5900)</b>	<b>Salaries &amp; Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
Instructional Activities	\$ -	\$ 14,558,809	\$ -	\$ -	\$ 14,558,809

**Southwestern Community College District**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2015**

State Agency	Program Name	Cash Received	Accounts Receivable	Unearned Income	Total	Total Program Expenditures
<b><u>State Department of Education</u></b>						
<b>Direct Programs:</b>						
Adult 86 - Adult Education		\$ 267,581	\$ 17,737	\$ -	\$ 285,318	\$ 267,581
Total direct programs		267,581	17,737	-	285,318	267,581
<b>Passed through California Community College Chancellor's Office:</b>						
Telecommunications		1,965	-	213	1,752	1,752
Deputy Sector Navigator (DSN)		141,926	176,610	-	318,536	141,926
Instructional Supplies and Materials		1,192,136	-	394,255	797,881	797,881
Instructional Equipment and Library		837,485	519,405	716,471	640,419	121,014
Center for International Trade Development		200,000	116,372	-	316,372	200,000
Youth Entrepreneurship Program		203	-	66	137	137
Total passed through California Community Colleges Chancellor's Office		2,373,715	812,387	1,111,005	2,075,097	1,262,710
Total State Department of Education		2,641,296	830,124	1,111,005	2,360,415	1,530,291
<b><u>California Community Colleges Chancellor's Office:</u></b>						
<b>I Direct Programs:</b>						
Basic Skills		606,239	-	309,189	297,050	297,050
EOPS Category A		1,710,476	-	-	1,710,476	1,710,476
EOPS CARE Support		112,665	-	-	112,665	112,665
DSPS Programs and Services		1,750,284	-	-	1,750,284	1,750,284
California Work Opportunity and Responsibility for Kids (CalWorks)		400,655	-	4,552	396,103	396,103
Matriculation Assessment		2,376,698	-	285,490	2,091,208	2,091,208
Matriculation Non-Credit		31,941	-	7,012	24,929	24,929
Temporary Cash Assistance for Needy Families (TANF)		86,672	-	1,654	85,018	85,018
Associate Degree Nursing Enrollment Growth		143,283	28,040	-	171,323	143,283
BFAP Financial Aid Allowance		714,461	-	49,754	664,707	664,707
Student Equity		930,064	-	655,427	274,637	274,637
Title V - Puertas al Futuro		134,038	26,294	-	160,332	134,038
Total direct programs		8,997,476	54,334	1,313,078	7,738,732	7,684,398
<b>Passed through Rancho Santiago Community College District:</b>						
California State Trade and Export Program (CalSTEP)		-	-	-	-	-
Total California Community Colleges Chancellor's Office		8,997,476	54,334	1,313,078	7,738,732	7,684,398
<b><u>California Governor's Office of Business and Economic Development:</u></b>						
<b>Direct Programs:</b>						
Go-Biz		1,441	93,284	-	94,725	94,725
Total California Department of Boating and Waterways		1,441	93,284	-	94,725	94,725
<b><u>California Department of Boating and Waterways:</u></b>						
<b>Direct Programs:</b>						
Acquatic Center Grant		72,951	-	37,112	35,839	35,839
Total California Department of Boating and Waterways		72,951	-	37,112	35,839	35,839
<b>Total State Programs</b>		<b>\$ 11,713,164</b>	<b>\$ 977,742</b>	<b>\$ 2,461,195</b>	<b>\$ 10,229,711</b>	<b>\$ 9,345,253</b>

**Southwestern Community College District**  
**Budget Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2015**

	General Fund - Unrestricted			General Fund-Restricted		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>REVENUES:</b>						
Federal	\$ 107,000	\$ 220,333	\$ 113,333	\$ 2,988,004	\$ 3,104,101	\$ 116,097
State	59,507,641	60,270,316	762,675	6,373,927	9,345,254	2,971,327
Local	26,487,720	26,624,502	136,782	3,794,553	2,983,336	(811,217)
<b>Total revenues</b>	<b>86,102,361</b>	<b>87,115,151</b>	<b>1,012,790</b>	<b>13,156,484</b>	<b>15,432,691</b>	<b>2,276,207</b>
<b>EXPENDITURES:</b>						
Salaries	60,244,651	61,927,536	(1,682,885)	7,978,620	9,329,935	(1,351,315)
Employee benefits	14,072,771	14,520,497	(447,726)	1,638,167	1,934,082	(295,915)
Payments to students	101,334	148,974	(47,640)	589,159	802,190	(213,031)
Supplies, materials, and other expenses	9,384,067	8,482,821	901,246	2,894,094	3,994,210	(1,100,116)
Utilities	2,472,836	2,326,403	146,433	56,444	37,179	19,265
<b>Total expenditures</b>	<b>86,275,659</b>	<b>87,406,231</b>	<b>(1,130,572)</b>	<b>13,156,484</b>	<b>16,097,596</b>	<b>(2,941,112)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(173,298)</b>	<b>(291,080)</b>	<b>(117,782)</b>	<b>-</b>	<b>(664,905)</b>	<b>(664,905)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	664,907	664,907
Transfers out	-	(764,907)	(764,907)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(764,907)</b>	<b>(764,907)</b>	<b>-</b>	<b>664,907</b>	<b>664,907</b>
<b>CHANGES IN FUND BALANCES</b>	<b>\$ (173,298)</b>	<b>(1,055,987)</b>	<b>\$ (882,689)</b>	<b>\$ -</b>	<b>2</b>	<b>\$ 2</b>
<b>FUND BALANCES:</b>						
Beginning of year		9,460,982			1,772,213	
End of year		<u>\$ 8,404,995</u>			<u>\$ 1,772,215</u>	