

# **Southwestern Community College District**

Chula Vista, California

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

*For the Year Ended June 30, 2017*





# Southwestern Community College District

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# Southwestern Community College District

## Introductory Section

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Southwestern Community College District (the “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 of the District for the fiscal year ended June 30, 2017 was composed of the following members:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Tim Nader	President	November 2018
Griselda Delgado	Vice President	November 2018
Roberto Alcantar	Board Member	November 2020
Norma L. Hernandez	Board Member	November 2018
Nora E. Vargas	Board Member	November 2018
Rudolph Villegas	Student Trustee	May 2018

The Executive and Senior Administration of the District for the fiscal year ended June 30, 2017 was composed of the following members:

<u>Member</u>	<u>Office</u>
Dr. Kindred Murillo	Superintendent/President
Timothy Flood	Vice-President for Business & Financial Affairs
Karl Sparks	Interim Vice-President, Human Resources
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, 2017, 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. We did not audit the financial statements of the Southwestern College Foundation (the "Foundation"), which represents 100%, 100%, and 100%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors, whose report dated October 17, 2017 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.

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## **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, the fiduciary funds, and the aggregate discretely presented component unit of the District, as of June 30, 2017, 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 10 and page 61 through 63, 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.

To the Board of Trustees  
of the Southwestern Community College District  
Chula Vista, California  
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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 Schedules, 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 Audited Financial Statements, Reconciliation of Education Protection Account Expenditures with Audited Financial Statements, Schedule of Expenditures of State Awards, and Budget Comparison Schedule – General Fund are not a required part of the basic financial statements but are other information required by the State of California Department of Education. This other 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 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 14, 2017, 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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California  
December 14, 2017

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**Southwestern Community College District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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This section of the Southwestern Community College District's (the "District") financial statements presents the analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Ending General Fund fund-balance (unrestricted) at June 30, 2017 was \$12.5 million or 13.2% of General Fund unrestricted expenses.
- Funded FTES (full time equivalent students) were 15,594 in Fiscal Year (FY) 2017 and 13,767 in FY 2016. The District decided to utilize stabilization in FY 2016 to avoid the loss of State funding and to achieve the FY 2017 FTES target. Stabilization provides the District time to fully achieve increases in efficiencies as a result of enrollment management efforts. Stabilization allowed the District to move FY 2016 summer FTES to FY 2017. There were no unfunded FTES in FY 2016 or FY 2017.
- Budgeted FTES in FY 2018 are 15,594.
- Due primarily to salary savings, lower expenses for supplies and contracts, increases in state and local funding, general unrestricted fund revenue excess for the twelve month period ending June 30, 2017 was \$943,473 compared to an adopted budgeted deficit of \$2.9 million.
- Bond Proposition R expenses during the year were \$67.0 million with an ending cash balance of \$112.8 million at June 30, 2017. Note #6 to the audit report indicates the Proposition R Series A and Series B bonds were advanced refunded totaling \$87,735,000 resulting in an economic gain of \$13.1 million, the difference between the present value of the prior and new debt service payments due.
- The District implemented in FY 2015 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 decreased \$3.7 million to a net deficit of \$14.9 million from a net deficit of \$11.2 million at June 30, 2016.

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2017**

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**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
- Required Supplementary Information.

Additional information presented with the Basic Financial Statements includes:

- Introductory Section;
- Supplementary Information:
  - 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 Revenues, Expenditures/Expenses, and Changes in Fund Equity to Government-Wide Statement of Activities and Changes in Net Position;
- Single Audit
- State Compliance
- Other Information:
  - Purpose of Schedules;
  - Schedule of Workload Measures for State General Apportionment and Annual Actual Attendance;
  - Reconciliation of Annual Financial and Budget Report (CCFS-311) with the Audited Financial Statements;
  - Reconciliation of the 50% Calculation with Audited Financial Statements;
  - Reconciliation of Education Protection Account Expenditures with Audited Financial Statements;
  - Schedule of Expenditures of State Awards; and
  - Budget Comparison Schedule – General Fund Unrestricted and Restricted.

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2017**

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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. 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**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Changes</b>	
Current assets	\$ 155,322,501	\$ 36,702,974	\$ 118,619,527	323.2%
Noncurrent assets	299,170,220	424,295,116	(125,124,896)	-29.5%
Total assets	<u>454,492,721</u>	<u>460,998,090</u>	<u>(6,505,369)</u>	<u>-1.4%</u>
Deferred outflows of resources	<u>22,654,287</u>	<u>15,453,809</u>	<u>7,200,478</u>	<u>46.6%</u>
Current liabilities	39,556,961	39,007,350	549,611	1.4%
Long-term liabilities	443,941,496	434,848,512	9,092,984	2.1%
Total liabilities	<u>483,498,457</u>	<u>473,855,862</u>	<u>9,642,595</u>	<u>2.0%</u>
Deferred inflows of resources	<u>8,527,544</u>	<u>13,763,890</u>	<u>(5,236,346)</u>	<u>-38.0%</u>
Net position:				
Net investment in capital assets	52,564,980	40,230,609	12,334,371	30.7%
Restricted	22,827,858	24,827,126	(1,999,268)	-8.1%
Unrestricted	<u>(90,271,831)</u>	<u>(76,225,588)</u>	<u>(14,046,243)</u>	<u>18.4%</u>
Total net position	<u>\$ (14,878,993)</u>	<u>\$ (11,167,853)</u>	<u>\$ (3,711,140)</u>	<u>33.2%</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, 2017**

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

**Table 2  
Changes in Net Position**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Change</b>	
Operating revenues	\$ 25,081,842	\$ 21,823,223	\$ 3,258,619	14.9%
Operating expenses	(167,821,083)	(153,707,998)	(14,113,085)	9.2%
Deficit before depreciation and Nonoperating income and expenses	(142,739,241)	(131,884,775)	(10,854,466)	8.2%
Depreciation	(7,652,674)	(7,529,337)	(123,337)	1.6%
Non-operating income and expenses, net	146,680,775	145,808,506	872,269	0.6%
Increase (decrease) in net position	<u>\$ (3,711,140)</u>	<u>\$ 6,394,394</u>	<u>\$ (10,105,534)</u>	<u>-158.0%</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**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Cash provided by (used in):		
Operating activities	\$ (134,921,670)	\$ (125,787,207)
Non-capital financing activities	155,089,879	157,868,014
Capital and related financing activities	(88,007,181)	87,291,779
Investing activities	2,004,503	1,318,252
Net change in cash and cash equivalents	(65,834,469)	120,690,838
Cash balance, beginning of year	238,553,824	117,862,986
Cash balance, end of year	<u>\$ 172,719,355</u>	<u>\$ 238,553,824</u>

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2017**

**CAPITAL ASSETS**

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2017. These changes are presented in detail in Note 4 to the financial statements.

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

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Change</b>	
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Buildings	124,901,380	128,430,311	(3,528,931)	-2.7%
Improvements	42,845,874	46,387,042	(3,541,168)	-7.6%
Equipment	1,851,772	1,828,889	22,883	1.3%
Construction in progress	97,040,188	30,077,085	66,963,103	222.6%
Net capital assets	<u>\$ 276,342,362</u>	<u>\$ 216,426,475</u>	<u>\$ 59,915,887</u>	<u>27.7%</u>

**LONG TERM DEBT**

The following table summarizes the District's long term debt and changes therein for the year ended June 30, 2017. Changes in long term debt are presented in detail in Note 6 to the financial statements.

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

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Change</b>	
<b>Bonds Payable:</b>				
Lease Revenue	\$ 890,000	\$ 980,000	\$ (90,000)	-9.2%
GO Bond, Series 2004	12,993,974	12,993,974	-	0.0%
GO Bond, Series 2005 Refunding Series B	6,395,000	11,685,000	(5,290,000)	-45.3%
Prop R - Series A	-	7,245,000	(7,245,000)	-100.0%
Prop R - Series B	-	89,775,000	(89,775,000)	-100.0%
Prop R - Series C	66,095,370	66,270,370	(175,000)	-0.3%
Prop R - Series D	119,229,325	121,649,325	(2,420,000)	-2.0%
GO Bond, Series 2015, Refunding	24,930,000	26,625,000	(1,695,000)	-6.4%
GO Bond 2016, Refunding Series A	3,400,000	-	3,400,000	100.0%
GO Bond 2016, Refunding Series B	84,335,000	-	84,335,000	100.0%
Unamortized premiums	26,090,144	14,589,586	11,500,558	78.8%
	<u>\$ 344,358,813</u>	<u>\$ 351,813,255</u>	<u>\$ (7,454,442)</u>	<u>-2.1%</u>

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2017**

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**ECONOMIC FACTORS AND 2017-18 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 2017-2018 Adopted Budget (General Fund-Unrestricted) includes revenue and expense projections based on the best information available to date and is not based on the budgetary basis of accounting. 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 2017-2018 is \$95.9 million consisting of California State principal apportionment (including faculty hiring allocation and Proposition 30 Educational Protection Act) of \$58.9 million, property taxes of \$27.1 million, enrollment fees of \$4.4 million, and \$5.5 million in other revenue including lottery proceeds of \$2.3 million and non-resident tuition of \$1.4 million. Unrestricted budgeted expenses of \$96.9 million exceed budgeted revenue by \$1.0 million. The Governing Board has approved the budget with this excess of expenses over revenue as a contingency for unforeseen expenses and the contingency will not be utilized for normal operations which will result in a balanced budget with no structural deficit.

The District's FY 2017-2018 General Fund unrestricted budgeted expenses of \$96.9 million were comparable to FY 2016-2017 budgeted expenses of \$95.8 million. Proposition R Bond funds that are separate from the General Fund have an expense budget of \$70.9 million. Proposition Z Bond funds have an expense budget of \$6.8 million including projects for the parking structure, performing arts center and the business and computer information services project.

The total District-wide expense budget for all funds in FY 2017-2018 is \$212 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.

## **BASIC FINANCIAL STATEMENTS**

**Southwestern Community College District**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government District	Component Unit Foundation
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 31,947,324	\$ 164,950
Investments	26,796	906,326
Accounts receivable, net	4,109,510	7,068
Inventories	1,236,665	-
Prepaid items	39,107	-
Due from fiduciary funds	18,926	-
Restricted cash and cash equivalents	117,944,173	123,672
Total current assets	155,322,501	1,202,016
Noncurrent assets:		
Restricted cash and cash equivalents	22,827,858	-
Restricted investments	-	-
Capital assets, net	276,342,362	-
Total noncurrent assets	299,170,220	-
<b>Total assets</b>	454,492,721	1,202,016
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension-related deferred outflows	18,696,731	-
Deferred loss on refunding	3,957,556	-
<b>Total deferred outflows of resources</b>	22,654,287	-

**Southwestern Community College District**  
**Statement of Net Position (Continued)**  
**June 30, 2017**

<b>LIABILITIES</b>	Primary Government District	Component Unit Foundation
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	10,758,945	284
Interest payable	4,874,811	-
Payroll and related liabilities	3,783,483	-
Unearned revenue	6,265,422	19,935
Payable to County - due within one year	1,129,300	-
Compensated absences - due within one year	1,500,000	-
Bonds payable - due within one year	11,245,000	-
Total current liabilities	39,556,961	20,219
Noncurrent liabilities:		
Compensated absences - due in more than one year	1,858,835	-
Net OPEB obligations - due in more than one year	6,792,842	-
Aggregate net pension liability - due in more than one year	102,176,006	-
Bonds payable - due in more than one year	333,113,813	-
Total noncurrent liabilities	443,941,496	-
<b>Total liabilities</b>	483,498,457	20,219
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension-related deferred inflows	7,207,246	-
Deferred gain on refunding	1,320,298	-
<b>Total deferred inflows of resources</b>	8,527,544	-
<b>Net Position:</b>		
Net investment in capital assets	52,564,980	-
Restricted for:		
Special projects	-	944,572
Debt service	22,827,858	-
Total restricted	22,827,858	944,572
Unrestricted (deficit)	(90,271,831)	237,225
<b>Total net position</b>	\$ (14,878,993)	\$ 1,181,797

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**Southwestern Community College District**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2017**

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$ 7,394,512	\$ -
Grants and contracts, non-capital:		
Federal	4,750,939	-
State	6,149,523	-
Local	1,327,838	-
Total grants and contracts, non-capital	<u>12,228,300</u>	<u>-</u>
Auxiliary enterprise sales and charges, net	5,331,976	-
Other operating revenues	127,054	729,291
<b>Total operating revenues</b>	<u>25,081,842</u>	<u>729,291</u>
<b>OPERATING EXPENSES:</b>		
Salaries	75,755,025	-
Employee benefits	35,188,119	-
Payments to students	32,158,202	271,089
Supplies, materials, and other expenses	21,779,415	344,207
Utilities	2,940,322	-
Depreciation	7,652,674	-
<b>Total operating expenses</b>	<u>175,473,757</u>	<u>615,296</u>
<b>Operating income (loss)</b>	<u>(150,391,915)</u>	<u>113,995</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>		
Federal grants, non-capital	25,300,738	-
State apportionments, non-capital	78,061,505	-
Local property taxes, non-capital	45,933,426	-
Investment income	2,004,503	83,196
Interest expense	(11,542,907)	-
Other nonoperating revenues (expenses)	6,923,510	-
<b>Total nonoperating revenues (expenses), net</b>	<u>146,680,775</u>	<u>83,196</u>
<b>Changes in net position</b>	<u>(3,711,140)</u>	<u>197,191</u>
<b>NET POSITION (DEFICIT):</b>		
Beginning of year	(11,167,853)	984,606
End of year	<u>\$ (14,878,993)</u>	<u>\$ 1,181,797</u>

**Southwestern Community College District**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$ 3,888,041	\$ -
Grants and contracts	12,228,300	-
Payments for supplies and services	(121,403,263)	(340,008)
Payments for utilities	(2,940,322)	-
Payments to students	(32,158,202)	(271,089)
Auxiliary enterprise sales and charges	5,331,976	-
Other operating revenues and expenses	<u>131,800</u>	<u>743,726</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(134,921,670)</u>	<u>132,629</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Federal Pell grants	25,300,738	-
State apportionments	78,061,505	-
Local property taxes	45,933,426	-
Payment on amount due to County	(1,129,300)	-
Other	<u>6,923,510</u>	<u>(59,699)</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>155,089,879</u>	<u>(59,699)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(67,568,561)	-
Proceeds from bond issuance	101,562,039	-
Costs of bond issuance	(574,408)	-
Principal paid on bonds	(106,690,000)	-
Payment of interest and fees	<u>(14,736,251)</u>	<u>-</u>
<b>Net cash (used in) capital financing activities</b>	<u>(88,007,181)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	-	(11,925)
Interest and investment proceeds	<u>2,004,503</u>	<u>83,196</u>
<b>Cash provided by (used in) investing activities</b>	<u>2,004,503</u>	<u>71,271</u>
<b>Net increase (decrease) in cash and equivalents</b>	(65,834,469)	144,201
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>238,553,824</u>	<u>144,421</u>
End of year	<u>\$ 172,719,355</u>	<u>\$ 288,622</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:</b>		
Cash and cash equivalents	\$ 31,947,324	\$ 164,950
Restricted cash and investments	<u>140,772,031</u>	<u>123,672</u>
<b>Total cash and cash equivalents</b>	<u>\$ 172,719,355</u>	<u>\$ 288,622</u>

**Southwestern Community College District**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2017**

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (150,391,915)	\$ 113,995
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	7,652,674	-
Change in assets and liabilities:		
Receivables	(3,684,897)	(7,068)
Inventories	(273,327)	-
Prepaid items	10,265	13,407
Due from fiduciary funds	34,746	-
Pension related deferred outflows	(3,242,922)	-
Accounts payable and accrued liabilities	996,726	(2,140)
Payroll and related liabilities	(309,421)	-
Unearned revenue	178,426	14,435
Due to fiduciary funds	(30,000)	-
Aggregate net pension liability	17,510,002	-
Pension related deferred inflows	(4,898,751)	-
Net OPEB obligations	1,366,798	-
Compensated absences	159,926	-
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ (134,921,670)</u></u>	<u><u>\$ 132,629</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
<b>Noncash Capital and Related Financing Activities:</b>		
Amortization of deferred gain on bond refunding	\$ 165,789	\$ -
Amortization of deferred loss on bond refunding	(171,806)	-
Amortization of bond premiums	(1,767,195)	-
<b>Total noncash capital and related financing activities</b>	<u><u>\$ (1,773,212)</u></u>	<u><u>\$ -</u></u>

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**FIDUCIARY FUND FINANCIAL STATEMENTS**

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**Southwestern Community College District**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**

	Associated Student Trusts	Student Service Trust Funds	Total
<b>Assets:</b>			
Cash and investments	\$ 722,727	\$ 1,160,498	\$ 1,883,225
Accounts receivable	-	6,592	6,592
Other assets	55,318	-	55,318
<b>Total assets</b>	<b>778,045</b>	<b>1,167,090</b>	<b>1,945,135</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	300	1,135,264	1,135,564
Due to District	11,568	7,358	18,926
Unearned revenue	20,467	-	20,467
Deposits payable	108,459	-	108,459
<b>Total liabilities</b>	<b>140,794</b>	<b>1,142,622</b>	<b>1,283,416</b>
<b>Net Position:</b>			
Unrestricted	637,251	24,468	661,719
<b>Total net position</b>	<b>\$ 637,251</b>	<b>\$ 24,468</b>	<b>\$ 661,719</b>

**Southwestern Community College District**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2017**

	Associated Student Trusts	Student Service Trust Funds	Total
<b>OPERATING REVENUES:</b>			
Student fees	\$ 274,594	\$ -	\$ 274,594
Other revenues	2,130	17,646	19,776
<b>Total operating revenues</b>	<u>276,724</u>	<u>17,646</u>	<u>294,370</u>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	104,440	-	104,440
Payments to students	46,500	-	46,500
Supplies, materials, and other expenses	266,102	5,129	271,231
<b>Total operating expenses</b>	<u>417,042</u>	<u>5,129</u>	<u>422,171</u>
<b>Operating income (loss)</b>	<u>(140,318)</u>	<u>12,517</u>	<u>(127,801)</u>
<b>TRANSFERS:</b>			
Transfers from District	-	-	-
<b>Total transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in net position</b>	(140,318)	12,517	(127,801)
<b>NET POSITION:</b>			
Beginning of year	777,569	11,951	789,520
End of year	<u>\$ 637,251</u>	<u>\$ 24,468</u>	<u>\$ 661,719</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Southwestern Community College District**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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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, 2017:

- 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. Financial statements can be obtained at 900 Otay Lakes Road, Chula Vista, CA 91910.

**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, 2017**

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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. Fair Value Measurement**

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the asset or liability through corroboration with market data at the measurement date.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**E. Fair Value Measurement (Continued)**

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

**F. 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.

**G. 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.

**H. 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.

**I. 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.

**J. 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 acquisition 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

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**J. Capital Assets (Continued)**

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

**K. Net Position**

Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation and deferred outflows of resources related to those assets, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and the deferred inflows of resources related to 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 net investment in capital assets or the restricted component of net position.

**L. 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.

**M. 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, 2015
Measurement date	June 30, 2016
Measurement period	July 1, 2015 to June 30, 2016

  

<u>CalSTRS</u>	
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Measurement period	July 1, 2015 to June 30, 2016

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**M. Pensions (Continued)**

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 five years. 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.

**N. 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.

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.

**O. 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 (STRS) on behalf of all community college districts in California. The District recorded \$2,366,680 of revenues and expenditures for on-behalf payments in 2017.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**P. 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.

**Q. 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.

**R. 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.

**S. Accounting Changes**

The District implemented the following applicable Governmental Accounting Standards Board (GASB) statements during the fiscal year.

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. This pronouncement did not have a material effect on the financial statements of the District.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**S. Accounting Changes (Continued)**

*GASB Statement No. 80*

In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This pronouncement did not have a material effect on the financial statements of the District.

**Note 2 – Cash and Investments**

The following is a summary of cash and investments at June 30, 2017:

	<b>Business-Type Activities</b>	<b>Fiduciary Fund Financial Statements</b>	<b>Foundation</b>	<b>Total</b>
Cash and cash equivalents	\$ 31,947,324	\$ 1,883,225	\$ 164,950	\$ 33,995,499
Restricted cash and cash equivalents	140,772,031	-	123,672	140,895,703
<b>Total cash and cash equivalents</b>	<b>172,719,355</b>	<b>1,883,225</b>	<b>288,622</b>	<b>174,891,202</b>
Investments	26,796	-	906,326	933,122
<b>Total investments</b>	<b>26,796</b>	<b>-</b>	<b>906,326</b>	<b>933,122</b>
<b>Total cash and investments</b>	<b>\$ 172,746,151</b>	<b>\$ 1,883,225</b>	<b>\$ 1,194,948</b>	<b>\$ 175,824,324</b>

Cash, cash equivalents, and investments consisted of the following at June 30, 2017:

	<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	\$ 76,517	\$ 3,150	-	\$ 79,667
Cash in bank accounts	3,526,175	1,880,075	288,622	5,694,872
Cash in County treasury	169,116,663	-	-	169,116,663
<b>Total cash and cash equivalents</b>	<b>172,719,355</b>	<b>1,883,225</b>	<b>288,622</b>	<b>174,891,202</b>
<b>Investments:</b>				
Fixed income	-	-	158,235	158,235
Certificates of deposit	26,796	-	-	26,796
Equity securities	-	-	545,616	545,616
Mutual funds	-	-	202,475	202,475
<b>Total investments</b>	<b>26,796</b>	<b>-</b>	<b>906,326</b>	<b>933,122</b>
<b>Total cash and investments</b>	<b>\$ 172,746,151</b>	<b>\$ 1,883,225</b>	<b>\$ 1,194,948</b>	<b>\$ 175,824,324</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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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, 2017, the District had \$169,116,663 invested in the San Diego County Investment Pool.

**Restricted Cash and Investments**

As of June 30, 2017, the District and Foundation had restricted cash and investments totaling \$140,772,031 and \$123,672, respectively. 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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**Fair Value Measurement**

As of June 30, 2017, the District’s investments had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ -	\$ 26,796	\$ 26,796

As of June 30, 2017, the Foundation’s investments had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$ 158,235	\$ -	\$ -	\$ 158,235
Mutual funds	202,475	-	-	202,475
Equities	545,616	-	-	545,616
Total	<u>\$ 906,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 906,326</u>

**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.

**Disclosures Relating to Credit Risk**

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

	<u>Business-Type Activities Fair Value</u>	<u>Foundation Fair Value</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
Mutual funds	\$ -	\$ 202,475	A2	A
Fixed income	-	158,235	A2	A
Equities	-	545,616	Not Rated	Not Rated
Certificates of deposit	26,796	-	Not Rated	Not Rated
	<u>\$ 26,796</u>	<u>\$ 906,326</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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**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.

**Note 3 – Accounts Receivable**

The following is a summary of receivables at June 30, 2017:

	Business-type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Grants:				
Federal	\$ 860,971	\$ -	\$ -	\$ 860,971
State	683,108	-	-	683,108
Local	367,392	-	-	367,392
Total grants	<u>1,911,471</u>	<u>-</u>	<u>-</u>	<u>1,911,471</u>
State apportionments	868,189	-	-	868,189
Lottery apportionments	586,365	-	-	586,365
Property taxes	88,879			
Other	654,606	6,592	7,068	668,266
<b>Total</b>	<u>\$ 4,109,510</u>	<u>\$ 6,592</u>	<u>\$ 7,068</u>	<u>\$ 4,034,291</u>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 4 – Capital Assets**

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2017:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>
<b>Nondepreciable:</b>				
Land	\$ 9,703,148	\$ -	\$ -	\$ 9,703,148
Construction in progress	30,077,085	66,963,103	-	97,040,188
<b>Total nondepreciable</b>	<b>39,780,233</b>	<b>66,963,103</b>	<b>-</b>	<b>106,743,336</b>
<b>Depreciable:</b>				
Site improvements	63,193,908	41,105	-	63,235,013
Buildings	164,281,769	-	-	164,281,769
Equipment	6,976,213	564,353	(264,797)	7,275,769
<b>Total depreciable, at cost</b>	<b>234,451,890</b>	<b>605,458</b>	<b>(264,797)</b>	<b>234,792,551</b>
<b>Less accumulated depreciation:</b>				
Site improvements	(16,806,866)	(3,582,273)	-	(20,389,139)
Buildings	(35,851,458)	(3,528,931)	-	(39,380,389)
Equipment	(5,147,324)	(541,470)	264,797	(5,423,997)
<b>Total accumulated depreciation</b>	<b>(57,805,648)</b>	<b>(7,652,674)</b>	<b>264,797</b>	<b>(65,193,525)</b>
<b>Total depreciable, net</b>	<b>176,646,242</b>	<b>(7,047,216)</b>	<b>-</b>	<b>169,599,026</b>
<b>Total capital assets, net</b>	<b>\$ 216,426,475</b>	<b>\$ 59,915,887</b>	<b>\$ -</b>	<b>\$ 276,342,362</b>

Depreciation expense for capital assets for the year ended June 30, 2017 was \$7,652,674.

**Note 5 – Unearned Revenue**

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2017 for the subsequent 2017-2018 year. As of June 30, 2017, the District's unearned revenue balance consists of the following:

	<b>Business-Type Activities</b>	<b>Fiduciary</b>		<b>Total</b>
		<b>Fund Financial Statements</b>	<b>Foundation</b>	
Federal sources	\$ 1,121,097	\$ -	\$ -	\$ 1,121,097
State sources	3,355,651	-	-	3,355,651
Enrollment fees	682,742	-	-	682,742
Other local sources	1,105,932	20,467	19,935	1,146,334
	<b>\$ 6,265,422</b>	<b>\$ 20,467</b>	<b>\$ 19,935</b>	<b>\$ 6,305,824</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 6 – Long-Term Debt**

The following is a summary of the changes in long-term debt for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>	<u>Due In More</u> <u>Than One Year</u>
<b>Bonds payable:</b>						
Lease Revenue Bonds	\$ 980,000	\$ -	\$ (90,000)	\$ 890,000	\$ 95,000	\$ 795,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2005, Refunding Series B	11,685,000	-	(5,290,000)	6,395,000	5,930,000	465,000
GO Bond 2008, Series A	7,245,000	-	(7,245,000)	-	-	-
GO Bond 2008, Series B	89,775,000	-	(89,775,000)	-	-	-
GO Bond 2008, Series C	66,270,370	-	(175,000)	66,095,370	260,000	65,835,370
GO Bond 2008, Series D	121,649,325	-	(2,420,000)	119,229,325	3,110,000	116,119,325
GO Bond 2015, Refunding	26,625,000	-	(1,695,000)	24,930,000	1,850,000	23,080,000
GO Bond 2016, Refunding Series A	-	3,400,000	-	3,400,000	-	3,400,000
GO Bond 2016, Refunding Series B	-	84,335,000	-	84,335,000	-	84,335,000
Unamortized premiums	14,589,586	13,827,039	(2,326,481)	26,090,144	-	26,090,144
<b>Total bonds payable</b>	<u>351,813,255</u>	<u>101,562,039</u>	<u>(109,016,481)</u>	<u>344,358,813</u>	<u>11,245,000</u>	<u>333,113,813</u>
Payable to County	2,258,600	-	(1,129,300)	1,129,300	1,129,300	-
Compensated absences	3,198,909	2,754,228	(2,594,302)	3,358,835	1,500,000	1,858,835
<b>Total</b>	<u>\$ 355,012,164</u>	<u>\$ 104,316,267</u>	<u>\$ (111,610,783)</u>	<u>\$ 347,717,648</u>	<u>\$ 12,745,000</u>	<u>\$ 334,972,648</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.

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, 2017 is \$1,038,473 payable through 2024.

The annual requirements for debt service outstanding at June 30, 2017 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 95,000	\$ 29,569	\$ 124,569
2019	100,000	26,644	126,644
2020	100,000	23,644	123,644
2021	105,000	20,044	125,044
2022	115,000	15,931	130,931
2023-2024	375,000	32,641	407,641
<b>Total</b>	<u>\$ 890,000</u>	<u>\$ 148,473</u>	<u>\$ 1,038,473</u>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**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, 2017 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023-2027	5,765,944	14,697,270	20,463,214
2028-2030	7,228,030	14,743,756	21,971,786
<b>Total</b>	<b>\$ 12,993,974</b>	<b>\$ 29,441,026</b>	<b>\$ 42,435,000</b>

**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 \$6,587,281, payable through fiscal year 2019.

The annual requirements for debt service outstanding at June 30, 2017 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 5,930,000	\$ 180,075	\$ 6,110,075
2019	465,000	12,206	477,206
<b>Total</b>	<b>\$ 6,395,000</b>	<b>\$ 192,281</b>	<b>\$ 6,587,281</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

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 fiscal year 2017, both the Election of 2008 General Obligation Bonds, Series A and Series B were refunded via issuance of the General Obligation Refunding Bonds, Series A and Series B. At June 30, 2017, the outstanding balances of the refunded issuances remaining to be paid through a non-revocable trust were \$6,530,000 and \$89,775,000 for the Election of 2008 General Obligation Bonds, Series A and Series B, respectively. The District’s liability was \$0 for both at June 30, 2017.

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 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.

In August, 2015, the District authorized the sale and issuance of 2008 General Obligation Bonds, Series D in the amount of \$121,649,325. Proceeds from the sale of the bonds are used to finance the construction and renovation of classrooms and other college facilities throughout the District. The bonds were issued at a premium of \$8,387,579. In addition, there were bond issuance costs of \$791,597.

Interest on the Series D current interest bonds with principal of \$79,525,000 is payable February 1 and August 1, commencing February 1, 2017 at rates ranging from 2.0% to 5.0%. Principal is payable August 1, commencing August 1, 2017 and through the maturity date of August 1, 2044.

Interest on the Series D capital appreciation bonds with principal of \$42,124,325 will accrete in value commencing August 1, 2015 at rates ranging from 2.29% to 5.01% to the maturity date of August 1, 2039.

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 2008 General Obligation Bonds Series D.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

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, 2017 is \$0, \$0, \$207,611,620, and \$232,477,469 for Series A, B, C, and D, respectively.

The annual requirements for debt service outstanding at June 30, 2017 are as follows:

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
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	545,000	2,763,238	3,308,238
2022	655,000	2,733,238	3,388,238
2023-2027	5,215,000	13,001,438	18,216,438
2028-2032	9,305,000	11,210,119	20,515,119
2033-2037	14,990,000	8,097,813	23,087,813
2038-2042	26,364,160	20,202,242	46,566,402
2043-2047	7,976,210	75,096,673	83,072,883
<b>Total</b>	<b>\$ 66,095,370</b>	<b>\$ 141,516,250</b>	<b>\$ 207,611,620</b>

Year Ending June 30,	SERIES D		
	Principal	Interest	Total
2018	\$ 3,110,000	\$ 3,759,250	\$ 6,869,250
2019	135,000	3,695,025	3,830,025
2020	-	3,693,000	3,693,000
2021	276,219	3,726,780	4,002,999
2022	547,488	3,785,512	4,333,000
2023-2027	6,427,389	20,962,611	27,390,000
2028-2032	10,991,004	28,018,994	39,009,998
2033-2037	14,211,492	3,984,952	18,196,444
2038-2042	34,245,733	37,746,895	71,992,628
2043-2046	49,285,000	3,875,125	53,160,125
<b>Total</b>	<b>\$ 119,229,325</b>	<b>\$ 113,248,144</b>	<b>\$ 232,477,469</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**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. Total principal and interest remaining on the bonds as of June 30, 2017 is \$31,257,400.

The annual requirements for debt service outstanding at June 30, 2017 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 1,850,000	\$ 1,170,600	\$ 3,020,600
2019	2,040,000	1,092,800	3,132,800
2020	2,230,000	996,250	3,226,250
2021	2,460,000	879,000	3,339,000
2022	2,710,000	749,750	3,459,750
2023-2026	13,640,000	1,439,000	15,079,000
<b>Total</b>	<b>\$ 24,930,000</b>	<b>\$ 6,327,400</b>	<b>\$ 31,257,400</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**General Obligation Refunding Bonds – 2016 Series A and B**

In August 2016, the District authorized the sale and issuance of the 2016 General Obligation Refunding Bonds Series A and B, in the amounts of \$3,400,000 and \$84,335,000, respectively. Proceeds from the sale of the bonds were used to advance refund the remaining balances of the District’s Election of 2008 General Obligation Bonds, Series A and B and to pay costs of issuing the bonds. Interest is payable February 1 and August 1, commencing February 1, 2017 at interest rates ranging from 3.0% to 5.0%. Principal is payable August 1, commencing August 1, 2020 and August 1, 2022 for Series A and B, respectively, and through the maturity dates of August 1, 2021 and August 1, 2039 for Series A and B, respectively. The bonds were issued at premiums of \$335,362 and \$13,491,677, for Series A and B, respectively, and the refunding transaction resulted in a deferred loss on refunding of \$4,123,345 to be amortized through the remaining life of the new bonds. The aggregate debt service payments of the new debt are \$7,438,394 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 \$13,147,462.

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, 2017 is \$3,786,700 and \$138,787,950 for Series A and Series B, respectively.

The annual requirements for debt service outstanding at June 30, 2017 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2018	\$ -	\$ 102,000	\$ 102,000
2019	-	102,000	102,000
2020	-	102,000	102,000
2021	1,600,000	78,000	1,678,000
2022	1,800,000	2,700	1,802,700
<b>Total</b>	<b>\$ 3,400,000</b>	<b>\$ 386,700</b>	<b>\$ 3,786,700</b>

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
2018	\$ -	\$ 3,391,100	\$ 3,391,100
2019	-	3,391,100	3,391,100
2020	-	3,391,100	3,391,100
2021	-	3,391,100	3,391,100
2022	-	3,391,100	3,391,100
2023-2027	12,040,000	15,854,500	27,894,500
2028-2032	19,730,000	12,437,050	32,167,050
2033-2037	29,245,000	7,763,900	37,008,900
2038-2040	23,320,000	1,442,000	24,762,000
<b>Total</b>	<b>\$ 84,335,000</b>	<b>\$ 54,452,950</b>	<b>\$ 138,787,950</b>

At June 30, 2017, the refunded 2008 General Obligation Bonds, Series A and Series B had remaining balances to be paid through escrow of \$6,530,000 and \$89,775,000, respectively. The District has no liability for them.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**Payable to County**

Pursuant to an agreement with the San Diego County Schools Fringe Benefits Consortium, the District offered an early retirement incentive program to eligible full-time certificated academic employees for the 2016-2017 fiscal year. The early retirement incentive was offered at 75% of the employee's annual base salary to be paid in three installments into the San Diego County Schools Fringe Benefits Consortium 403(b) Plan. The initial liability recorded was \$3,387,900, payable in annual installments of \$1,129,300. At June 30, 2017, the outstanding balance was \$1,129,300.

**Compensated Absences**

The District's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$3,358,835 at June 30, 2017.

**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:

	<b>Faculty</b>	<b>Classified</b>	<b>Management*</b>
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 had contributed \$3.2 million to an irrevocable trust with the Community College League of California – Joint Powers Authority (CCLC-JPA). The District contributed \$341,694 during fiscal year 2017. At June 30, 2017, the market value of the irrevocable trust was \$4,227,557.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Notes 7 – Other Post Employment Benefits (Continued)**

**Annual OPEB Cost**

For the year ended June 30, 2017, the District’s Annual Required Contribution (“ARC”) for OPEB was \$1,708,492. 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>
6/30/2015	\$ 1,066,867	\$ -	0%	\$ (1,066,867)	\$ (3,717,552)
6/30/2016	1,708,492	-	0%	(1,708,492)	(5,426,044)
6/30/2017	1,708,492	341,694	20%	(1,366,798)	(6,792,842)

**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>
2/1/2016	\$ 3,299,929	\$ 19,539,240	\$ 16,239,311	16.89%	\$ 47,098,200	34.48%
2/1/2014	2,156,350	11,884,471	12,728,121	18.14%	45,861,000	27.75%

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, 2016. 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, 2017 was 29 years.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 8 – Pension Plans**

**A. Summary**

Net Pension Liability

Aggregate net pension liability is reported in the accompanying statement of net position as follows:

	<b>Net Pension Liability</b>
CalPERS Pension Plan	\$ 39,193,398
CalSTRS Pension Plan	62,982,608
<b>Total</b>	<b>\$ 102,176,006</b>

Deferred Outflows of Resources

Deferred outflows of resources are reported in the accompanying statement of net position as follows:

	<b>Deferred Outflows of Resources</b>		
	<b>CalPERS</b>	<b>CalSTRS</b>	<b>Total</b>
Pension contribution made after measurement date	\$ 3,424,643	\$ 4,997,695	\$ 8,422,338
Difference between expected and actual experience	2,049,312	-	2,049,312
Difference between projected and actual earnings on pension plan investments	6,038,091	18,530	6,056,621
Changes in employer's proportionate share	-	2,168,460	2,168,460
<b>Total deferred outflows of resources</b>	<b>\$ 11,512,046</b>	<b>\$ 7,184,685</b>	<b>\$ 18,696,731</b>

Deferred Inflows of Resources

Deferred inflows of resources are reported in the accompanying statement of net position as follows:

	<b>Deferred Inflows of Resources</b>		
	<b>CalPERS</b>	<b>CalSTRS</b>	<b>Total</b>
Difference between expected and actual experience	\$ -	\$ 12,851	\$ 12,851
Changes in assumptions	1,520,300	-	1,520,300
Changes in employer's proportionate share	1,237,501	4,436,594	5,674,095
<b>Total deferred inflows of resources</b>	<b>\$ 2,757,801</b>	<b>\$ 4,449,445</b>	<b>\$ 7,207,246</b>

Pension Expense

Pension expenses are included in the accompanying statement of revenues, expenses, and change in net position as follows:

	<b>Net Pension Expense</b>
CalPERS Pension Plan	\$ 1,241,712
CalSTRS Pension Plan	11,681,075
<b>Total</b>	<b>\$ 12,922,787</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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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, 2017**

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

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

Employees Covered

For the measurement period ended June 30, 2016 the following employees were covered by the benefit terms for:

	<b>CalPERS Plan</b>
Inactive employees or beneficiaries currently receiving benefits	605
Inactive employees entitled to but not yet receiving benefits	48
Active employees	394

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, 2016 (the measurement date), the active contribution rate was 7.0% of annual payroll. The required employer’s contribution rate was 11.85% of annual payroll.

For the measurement period ended June 30, 2016, the plan’s proportionate share of aggregate employer contributions made was as follows:

	<b>CalPERS Plan</b>
Contributions - employer	\$ 2,824,088

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

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2017, the District reported net pension liability for its proportionate shares of the net pension liability as follows:

	<b>Plan Total Pension Liability</b>	<b>Increase (Decrease) Plan Fiduciary Net Position</b>	<b>Plan Net Pension Liability/(Asset)</b>
Balance at: 6/30/15 (Valuation date)	\$ 149,750,931	\$ 118,944,127	\$ 30,806,804
Balance at: 6/30/16 (Measurement date)	150,150,979	110,957,581	39,193,398
Net Changes during 2015-2016	400,048	(7,986,546)	8,386,594

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**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, 2015). 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, 2016). 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, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (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, 2015 and 2016 was as follows:

	<b>CalPERS Plan</b>
Proportion June 30, 2015	0.20990%
Proportion June 30, 2016	0.19840%
Change - Increase (Decrease)	-0.01150%

For the year ended June 30, 2017, the District recognized pension expense in the amount of \$1,241,712 for the Plan.

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 2015-16 measurement period is 3.9 years, which was obtained by dividing the total service years of the active employees by 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, 2017**

**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, 2017, 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	\$ 6,038,091	\$ -
Difference between expected and actual experience	2,049,312	-
Changes in assumptions	-	1,520,300
Differences in proportions	-	1,237,501
Total	\$ 8,087,403	\$ 2,757,801

For the Plan, \$3,424,643 was reported as a deferred outflow 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, 2018. 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>
2018	\$ 607,407
2019	607,408
2020	2,651,465
2021	1,463,322
2022	-
Thereafter	-
	\$ 5,329,602

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

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
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 Inflation
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 Floor on Purchasing Power applies, 2.75% thereafter

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)*

All other actuarial assumptions used in the June 30, 2015 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.

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate was changed from 7.50 percent (net of administrative expenses in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% 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.

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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

Discount Rate (Continued)

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.

The table below reflects the 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. The target allocation shown was adopted by the Board effective July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%

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

<sup>2</sup>An expected inflation 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% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
\$ 58,476,768	\$ 39,193,398	\$ 23,136,198

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, 2017**

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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, 2017.

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

For the measurement period ended June 30, 2016, the following employees were covered by the benefit terms:

	<b>CalSTRS Plan</b>
Inactive employees or beneficiaries currently receiving benefits	1,188
Inactive employees entitled to but not yet receiving benefits	94
Active employees	760

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, 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, 2016 (the measurement date), the active contribution rate was 9.2% of annual payroll for the Plan. The average employer's contribution rate was 10.73% for the Plan.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

*Employees Covered (Continued)*

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. These amounts are reported as both revenues and expenditures of the District. Accordingly, these amounts have been recorded in these financial statements. Contributions each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

For the measurement period ended June 30, 2016, the Plan's proportionate share of aggregate employer contributions made for the Plan was as follows:

	<b>CalSTRS Plan</b>
Contributions - employer	\$ 4,510,356
Contributions - State On-Behalf payments	2,366,680
<b>Total contributions</b>	<b>\$ 6,877,036</b>

On-Behalf payments reported by the District for the past three fiscal years are as follows:

<b>Year Ended</b>	<b>Contribution Rate</b>	<b>Contribution Amount</b>
<b>June 30,</b>		
2015	5.679%	\$ 2,033,500
2016	7.126%	2,523,604
2017	12.200%	2,366,680

*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, 2016, and the total pension liability the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate shares of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

	<b>Plan Total</b>	<b>Plan</b>	<b>Increase (Decrease)</b>	<b>State's Share of</b>	<b>District's Share</b>
	<b>Pension</b>	<b>Fiduciary Net</b>	<b>Plan</b>	<b>Net Pension</b>	<b>of Net Pension</b>
	<b>Liability</b>	<b>Position</b>	<b>Net Pension</b>	<b>Liability/(Asset)</b>	<b>Liability/(Asset)</b>
			<b>Liability/(Asset)</b>	<b>Liability/(Asset)</b>	<b>Liability/(Asset)</b>
Balance at: 6/30/15 (Valuation date)	\$ 351,681,978	\$ 264,430,118	\$ 87,251,860	\$ 33,392,660	\$ 53,859,200
Balance at: 6/30/16 (Measurement date)	337,953,744	236,714,327	101,239,417	38,256,809	62,982,608
Net Changes during 2015-2016	\$ (13,728,234)	\$ (27,715,791)	\$ 13,987,557	\$ 4,864,149	\$ 9,123,408

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**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 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, 2015). 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, 2016). 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, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (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 as of June 30, 2015 and 2016 was as follows:

	<b>District's Proportionate Share</b>	<b>State's Proportionate Share</b>	<b>Total for District Employees</b>
Proportion June 30, 2015	0.08610%	0.04960%	0.13570%
Proportion June 30, 2016	0.07790%	0.04730%	0.12520%
Change - Increase (Decrease)	-0.00820%	-0.00230%	-0.01050%

For the year ended June 30, 2017, the District recognized pension expense in the amount of \$11,681,075 for the Plan.

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 2015-16 measurement period is 7 years.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

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

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CalSTRS Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between actual and expected experience	\$ -	\$ 12,851
Difference between projected and actual earning on pension plan investments	18,530	
Changes in employer's proportionate share	2,168,460	4,436,594
Total	\$ 2,186,990	\$ 4,449,445

For the Plan, \$4,997,695 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, 2018. 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,	Deferred Outflows/ (Inflows) of Resources
2018	\$ (385,900)
2019	(385,899)
2020	(383,600)
2021	(1,107,056)
2022	-
Thereafter	-
	\$ (2,262,455)

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

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.60%
Inflation	3.00%
Salary Increases	3.75%
Investment Rate of Return	7.60%, net of investment and 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

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2015 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.

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	47.00%	6.30%
Fixed Income	12.00%	30.00%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
	100%	

<sup>1</sup>20-year geometric average

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

*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:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate + 1% (8.60%)
\$ 90,646,180	\$ 62,982,608	\$ 40,006,856

*Pension Plan Fiduciary Net Position*

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

**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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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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 \$100,219,000 as of June 30, 2017.

**Note 12 – Deficit Net Position**

At June 30, 2017 the District had an unrestricted net position deficit of \$(81,165,138) and a total net position deficit of \$(14,878,993). This deficit was caused by the reporting of the net pension liability.

**Note 13 – Subsequent Events**

**Issuance of Debt**

On November 9, 2016, voters of the District approved ballot Measure Z, which allowed the District to issue up to \$400 million in general obligation bonds to repair/upgrade the campus and to provide job training and support for students and veterans. On November 30, 2017, the District issued \$140,000,000 of Election of 2016, General Obligation Bonds, Series A. The bonds were issued at a premium of \$10,216,377. Net proceeds of \$139,266,675 were deposited in the District's building fund and \$10,216,277 was deposited in the debt service fund.

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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, 2017**

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

**Last Ten Fiscal Years**

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

Measurement Period	June 30, 2014 <sup>1</sup>	June 30, 2015 <sup>1</sup>	June 30, 2016 <sup>1</sup>
District's Proportion of the Net Pension Liability	0.20990%	0.20900%	0.19840%
District's Proportionate Share of the Net Pension Liability	\$ 23,828,761	\$ 30,806,804	\$ 39,193,398
District's Covered-Employee Payroll	\$ 22,245,705	\$ 23,993,385	\$ 24,659,008
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>107.12%</u>	<u>128.40%</u>	<u>158.94%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>83.38%</u>	<u>79.43%</u>	<u>79.43%</u>

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

Measurement Period	June 30, 2014 <sup>1</sup>	June 30, 2015 <sup>1</sup>	June 30, 2016 <sup>1</sup>
District's Proportion of the Net Pension Liability	0.08000%	0.08000%	0.08610%
District's Proportionate Share of the net Pension Liability	\$ 46,749,600	\$ 53,859,200	\$ 62,982,608
District's Covered-Employee Payroll	\$ 35,763,671	\$ 39,853,588	\$ 39,727,305
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>130.72%</u>	<u>135.14%</u>	<u>158.54%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>76.52%</u>	<u>74.02%</u>	<u>74.02%</u>

<sup>1</sup> Historical information is presented 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, 2017**

**Note 2 – Schedules of Contributions**

	Last Ten Fiscal Years			
	2013-14 <sup>1</sup>	2014-15 <sup>1</sup>	2015-16 <sup>1</sup>	2016-17 <sup>1</sup>
<b>California Public Employees' Retirement System ("CalPERS")</b>				
Actuarially Determined Contribution <sup>2</sup>	\$ 2,545,353	\$ 2,824,261	\$ 2,824,088	\$ 3,424,643
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(2,545,353)	(2,824,261)	(2,824,088)	(3,424,643)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll <sup>3</sup>	\$ 22,245,705	\$ 23,993,385	\$ 24,713,187	\$ 24,659,008
Contributions as a Percentage of Covered-Employee Payroll	11.44%	11.77%	11.43%	13.89%
<b>California State Teachers' Retirement System ("CalSTRS")</b>				
Actuarially Determined Contribution	\$ 2,954,523	\$ 3,539,234	\$ 4,510,356	\$ 4,997,695
Contribution in Relation to the Actuarially Determined Contribution	(2,954,523)	(3,539,234)	(4,510,356)	(4,997,695)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll <sup>3</sup>	\$ 35,763,671	\$ 39,853,588	\$ 41,049,196	\$ 39,727,305
Contributions as a Percentage of Covered-Employee Payroll	8.26%	8.88%	10.99%	12.58%

<sup>1</sup> Historical information is presented 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:** CalPERS discount rate was changed from 7.50% (net of administrative expenses) to 7.65%.

**Southwestern Community College District  
Required Supplementary Information (Unaudited)(Continued)  
For the Year Ended June 30, 2017**

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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, 2017 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>
2/1/2016	\$ 3,299,929	\$ 19,539,240	\$ 16,239,311	16.89%	\$ 47,098,200	34.48%
2/1/2014	2,156,350	11,884,471	12,728,121	18.14%	45,861,000	27.75%
2/1/2012	2,784,507	14,375,645	11,591,138	19.37%	43,481,288	26.66%

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**SUPPLEMENTARY INFORMATION**

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# FUNDS OF THE DISTRICT

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The following funds are included in the combining financial statements of the District. They are included as supplementary information in accordance with the requirements of the State Department of Education, California Community College Chancellor's Office's (the "CCCCO") Contracted District Audit Manual.

**General Fund - Unrestricted** - This fund is the primary operating account of the District and is used to account for resources which are not required to be accounted for in another fund. The fund includes the general activities of the District and other administrative functions.

**General Fund - Restricted** - This fund is used to account for categorical and other restricted resources of the District.

**Capital Outlay Fund** - This fund is used to account for the acquisition or construction of major property, equipment, or facilities.

**Prop R Bond Fund** - This fund is used to account for the acquisition or construction of major property, equipment, or facilities from funds provided through Proposition R.

**Student Center Fund** - This fund is used to account for the operations of the Student Center.

**Bond Interest and Redemption Fund** - This fund is used to account for property tax revenues and the payment of debt service.

**Bookstore Fund** - This enterprise fund is used to account for the operations of the Southwestern Community College bookstore.

**Cafeteria Fund** - This enterprise fund is used to account for the operations of the Southwestern Community College cafeteria and other various cafes on campus.

**Federal Financial Aid Fund** - This fund is used to account for federal financial aid receipts and payments to students.

**Self Insurance Fund** - This fund is used to account for the District's self-insurance claims.

**Associated Students Trust Fund** - This agency fund accounts for funds that the District holds in an agent capacity on behalf of various Associated Students clubs.

**Student Services Trust Fund** - This fund is used to account for funds that the District holds in an agent capacity on behalf of Student Services.

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances**  
**June 30, 2017**

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Student Center
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 24,059,997	\$ -	\$ 4,448,907	\$ -	\$ 397,696
Accounts receivable	968,075	2,332,008	136,883	366,217	309
Inventories	84,967	-	-	-	-
Prepaid items	38,807	-	-	-	-
Due from other funds	115,998	-	358,142	-	909
Restricted cash and investments	-	5,149,137	-	112,795,036	-
<b>Total current assets</b>	<b>25,267,844</b>	<b>7,481,145</b>	<b>4,943,932</b>	<b>113,161,253</b>	<b>398,914</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>\$ 25,267,844</b>	<b>\$ 7,481,145</b>	<b>\$ 4,943,932</b>	<b>\$ 113,161,253</b>	<b>\$ 398,914</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	4,198,123	412,809	376,020	5,609,138	-
Payroll and related liabilities	3,783,483	-	-	-	-
Compensated absences	3,358,835	-	-	-	-
Unearned revenue	703,475	5,513,186	-	-	-
Due to other funds	656,214	-	32	13,368	-
Deposits payable	-	-	-	-	-
<b>Total liabilities</b>	<b>12,700,130</b>	<b>5,925,995</b>	<b>376,052</b>	<b>5,622,506</b>	<b>-</b>
<b>Fund Balances</b>	<b>12,567,714</b>	<b>1,555,150</b>	<b>4,567,880</b>	<b>107,538,747</b>	<b>398,914</b>
<b>Total liabilities and fund balances</b>	<b>\$ 25,267,844</b>	<b>\$ 7,481,145</b>	<b>\$ 4,943,932</b>	<b>\$ 113,161,253</b>	<b>\$ 398,914</b>

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)**  
**June 30, 2017**

	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid	Self Insurance
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ -	\$ 1,345,906	\$ 616,425	\$ 341,159	\$ 764,030
Accounts receivable	-	292,213	11,687	-	2,118
Inventories	-	927,036	224,662	-	-
Prepaid items	-	300	-	-	-
Due from other funds	-	33,279	113,686	-	127,054
Restricted cash and investments	22,827,858	-	-	-	-
<b>Total current assets</b>	<u>22,827,858</u>	<u>2,598,734</u>	<u>966,460</u>	<u>341,159</u>	<u>893,202</u>
Noncurrent assets:					
Capital assets, net	-	1,443	33,166	-	-
<b>Total noncurrent assets</b>	<u>-</u>	<u>1,443</u>	<u>33,166</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 22,827,858</u>	<u>\$ 2,600,177</u>	<u>\$ 999,626</u>	<u>\$ 341,159</u>	<u>\$ 893,202</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	-	146,824	14,203	1,828	-
Payroll and related liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Unearned revenue	-	35,320	13,441	-	-
Due to other funds	-	60,528	-	-	-
Deposits payable	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>242,672</u>	<u>27,644</u>	<u>1,828</u>	<u>-</u>
<b>Fund Balances</b>	<u>22,827,858</u>	<u>2,357,505</u>	<u>971,982</u>	<u>339,331</u>	<u>893,202</u>
<b>Total liabilities and fund balances</b>	<u>\$ 22,827,858</u>	<u>\$ 2,600,177</u>	<u>\$ 999,626</u>	<u>\$ 341,159</u>	<u>\$ 893,202</u>

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)**  
**June 30, 2017**

	Associated Students Trust	Student Service Trust Funds	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 722,727	\$ 1,160,498	\$ 33,857,345
Accounts receivable	-	6,592	4,116,102
Inventories	-	-	1,236,665
Prepaid items	-	-	39,107
Due from other funds	-	-	749,068
Restricted cash and investments	-	-	140,772,031
Total current assets	722,727	1,167,090	180,770,318
Noncurrent assets:			
Capital assets, net	55,318	-	89,927
Total noncurrent assets	55,318	-	89,927
<b>Total assets</b>	\$ 778,045	\$ 1,167,090	\$ 180,860,245
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	300	1,135,264	\$ 11,894,509
Payroll and related liabilities	-	-	3,783,483
Compensated absences	-	-	3,358,835
Unearned revenue	20,467	-	6,285,889
Due to other funds	11,568	7,358	749,068
Deposits payable	108,459	-	108,459
Total liabilities	140,794	1,142,622	26,180,243
<b>Fund Balances</b>	637,251	24,468	154,680,002
<b>Total liabilities and fund balances</b>	\$ 778,045	\$ 1,167,090	\$ 180,860,245

**Southwestern Community College District**  
**Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances**  
**to Government-Wide Statement of Net Position**  
**June 30, 2017**

<b>Total Fund Balances reported in the Combining Balance Sheet</b>	<u>\$ 154,680,002</u>
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	276,342,362
Less enterprise funds capital assets	<u>(34,609)</u>
Total capital assets not reported in the funds	<u>276,307,753</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	(6,792,842)
Net pension liability	(102,176,006)
Due to County - due within one year	(1,129,300)
Bonds payable - due within one year	(11,245,000)
Bonds payable - due in more than one year	<u>(333,113,813)</u>
Total long-term liabilities not reported in the funds	<u>(454,456,961)</u>
Deferred loss on bond refunding dis not require current financial resources. Therefore, it is not reported in the governmental funds.	3,957,556
Deferred gain on bond refunding dis not require current financial resources. Therefore, it is not reported in the governmental funds.	(1,320,298)
Deferred outflows of resources related to pensions were not reported in the governmental funds.	18,696,731
Deferred inflows of resources related to pensions were not reported in the governmental funds.	(7,207,246)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds.	<u>(4,874,811)</u>
Student activities are fiduciary activities and therefore are not reported in the Government-Wide Statement of Net Position.	
Associated Student Trust	(637,251)
Academic Affairs	<u>(24,468)</u>
Total fiduciary activities	<u>(661,719)</u>
<b>Net Position</b>	<u><u>\$ (14,878,993)</u></u>

**Southwestern Community College District**  
**Combining Schedule of Revenues, Expenditures/Expenses**  
**and Changes in Fund Equity/Net Position**  
**For the Year Ended June 30, 2017**

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Student Center
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 5,782,081	\$ 1,460,141	\$ -	\$ -	\$ 152,290
Federal grant, non-capital	243,488	2,813,298	-	-	-
State grant, non-capital	-	-	-	-	-
Local grant, non-capital	532,992	794,846	-	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-
Other operating revenues	-	-	-	-	-
<b>Total operating revenues</b>	<b>6,558,561</b>	<b>5,068,285</b>	<b>-</b>	<b>-</b>	<b>152,290</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>					
Salaries	61,558,359	12,895,036	-	54,100	-
Employee benefits	19,501,245	3,352,908	-	18,582	-
Payments to students	176,597	1,300,758	-	-	-
Supplies, materials, and other expenses	7,767,608	6,311,418	4,763,776	66,931,527	34,049
Utilities	2,921,518	14,740	-	-	-
Depreciation	-	-	-	-	-
<b>Total operating expenditures/expenses</b>	<b>91,925,327</b>	<b>23,874,860</b>	<b>4,763,776</b>	<b>67,004,209</b>	<b>34,049</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>(85,366,766)</b>	<b>(18,806,575)</b>	<b>(4,763,776)</b>	<b>(67,004,209)</b>	<b>118,241</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>					
Federal grant, non-capital	-	-	-	-	-
State apportionments, non-capital	61,392,804	16,668,701	-	-	-
Local property taxes, non-capital	24,794,364	-	-	-	-
Investment income	268,532	-	53,979	1,491,495	1,412
Other non-operating revenue(expense)	1,166,780	978,566	2,983,022	221,000	-
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>87,622,480</b>	<b>17,647,267</b>	<b>3,037,001</b>	<b>1,712,495</b>	<b>(88,588)</b>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<b>2,255,714</b>	<b>(1,159,308)</b>	<b>(1,726,775)</b>	<b>(65,291,714)</b>	<b>29,653</b>
<b>TRANSFERS:</b>					
Transfers in	-	942,238	-	-	-
Transfers out	(1,312,238)	-	-	-	-
<b>Transfers</b>	<b>(1,312,238)</b>	<b>942,238</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balance/net position</b>	<b>943,476</b>	<b>(217,070)</b>	<b>(1,726,775)</b>	<b>(65,291,714)</b>	<b>29,653</b>
<b>FUND EQUITY/NET POSITION:</b>					
Beginning of year	11,624,238	1,772,220	6,294,655	172,830,461	369,261
End of year	<u>\$ 12,567,714</u>	<u>\$ 1,555,150</u>	<u>\$ 4,567,880</u>	<u>\$ 107,538,747</u>	<u>\$ 398,914</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, 2017**

	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid	Self Insurance
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grant, non-capital	-	-	-	1,694,153	-
State grant, non-capital	-	-	-	3,782,843	-
Local grant, non-capital	-	-	-	-	-
Auxiliary enterprise sales and charges	-	3,473,290	1,858,686	-	-
Other operating revenues	-	-	-	-	127,054
<b>Total operating revenues</b>	<b>-</b>	<b>3,473,290</b>	<b>1,858,686</b>	<b>5,476,996</b>	<b>127,054</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>					
Salaries	-	517,965	729,565	-	-
Employee benefits	-	138,510	204,367	-	-
Payments to students	-	-	-	30,680,847	-
Supplies, materials, and other expenses	-	2,516,560	1,023,038	-	-
Utilities	-	3,082	982	-	-
Depreciation	-	6,196	11,012	-	-
<b>Total operating expenditures/expenses</b>	<b>-</b>	<b>3,182,313</b>	<b>1,968,964</b>	<b>30,680,847</b>	<b>-</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>-</b>	<b>290,977</b>	<b>(110,278)</b>	<b>(25,203,851)</b>	<b>127,054</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>					
Federal grant, non-capital	-	-	-	25,300,738	-
State apportionments, non-capital	-	-	-	-	-
Local property taxes, non-capital	21,139,062	-	-	-	-
Investment income	181,311	217	-	46	7,511
Other non-operating revenue(expense)	2,103,387	45,163	-	-	-
Debt service:					
Proceeds from bond issuance	87,735,000	-	-	-	-
Premium on bond issuance	13,827,039	-	-	-	-
Deposit to escrow	(100,987,631)	-	-	-	-
Costs of bond issuance	(574,408)	-	-	-	-
Principal payment	(10,295,000)	-	-	-	-
Interest and fiscal charges	(15,128,028)	-	-	-	-
<b>Total non-operating expenditures/expenses</b>	<b>(1,999,268)</b>	<b>45,380</b>	<b>-</b>	<b>25,300,784</b>	<b>7,511</b>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<b>(1,999,268)</b>	<b>336,357</b>	<b>(110,278)</b>	<b>96,933</b>	<b>134,565</b>
<b>TRANSFERS:</b>					
Transfers in	-	-	383,000	-	-
Transfers out	-	-	(13,000)	-	-
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>370,000</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balance/net position</b>	<b>(1,999,268)</b>	<b>336,357</b>	<b>259,722</b>	<b>96,933</b>	<b>134,565</b>
<b>FUND EQUITY/NET POSITION:</b>					
Beginning of year	24,827,126	2,021,148	712,260	242,398	758,637
End of year	<u>\$ 22,827,858</u>	<u>\$ 2,357,505</u>	<u>\$ 971,982</u>	<u>\$ 339,331</u>	<u>\$ 893,202</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, 2017**

	Associated Students Trust	Student Service Trust Funds	Total
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 274,594	\$ -	\$ 7,669,106
Federal grant, non-capital	-	-	4,750,939
State grant, non-capital	-	-	3,782,843
Local grant, non-capital	-	-	1,327,838
Auxiliary enterprise sales and charges	-	-	5,331,976
Other operating revenues	2,130	-	129,184
<b>Total operating revenues</b>	<u>276,724</u>	<u>-</u>	<u>22,991,886</u>
<b>OPERATING EXPENDITURES/EXPENSES:</b>			
Salaries	102,070	-	75,857,095
Employee benefits	2,370	-	23,217,982
Payments to students	46,500	-	32,204,702
Supplies, materials, and other expenses	325,860	5,129	89,678,965
Utilities	-	-	2,940,322
Depreciation	-	-	17,208
<b>Total operating expenditures/expenses</b>	<u>476,800</u>	<u>5,129</u>	<u>223,916,274</u>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<u>(200,076)</u>	<u>(5,129)</u>	<u>(200,924,388)</u>
<b>NONOPERATING REVENUE(EXPENSES):</b>			
Federal grant, non-capital	-	-	25,300,738
State apportionments, non-capital	-	-	78,061,505
Local property taxes, non-capital	-	-	45,933,426
Investment income	-	17,646	2,022,149
Other non-operating revenue(expense)	59,758	-	7,557,676
Debt service:			
Proceeds from bond issuance	-	-	87,735,000
Premium on bond issuance	-	-	13,827,039
Deposit to escrow	-	-	(100,987,631)
Costs of bond issuance	-	-	(574,408)
Principal payment	-	-	(10,385,000)
Interest and fiscal charges	-	-	(15,128,028)
<b>Total non-operating expenditures/expenses</b>	<u>59,758</u>	<u>17,646</u>	<u>133,362,466</u>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<u>(140,318)</u>	<u>12,517</u>	<u>(67,561,922)</u>
<b>TRANSFERS:</b>			
Transfers in	-	-	1,325,238
Transfers out	-	-	(1,325,238)
<b>Transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in fund balance/net position</b>	<u>(140,318)</u>	<u>12,517</u>	<u>(67,561,922)</u>
<b>FUND EQUITY/NET POSITION:</b>			
Beginning of year	777,569	11,951	222,241,924
End of year	<u>\$ 637,251</u>	<u>\$ 24,468</u>	<u>\$ 154,680,002</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, 2017**

<b>Revenues and other financing sources over (under) expenditures/expenses and other financing uses</b>	<b>\$ (67,561,922)</b>
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.	<u>67,568,561</u>
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 \$17,208 in funds).	<u>(7,635,466)</u>
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.	<u>1,646,120</u>
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>10,295,000</u>
Total repayment of long-term liabilities	<u>10,385,000</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	(87,735,000)
Premium on bond issuance	(13,827,039)
Deposit of bond issuance proceeds to escrow for bond defeasance	<u>100,987,631</u>
total	<u>(574,408)</u>
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.	<u>(1,773,212)</u>
Changes in the amount Due to County 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.	<u>1,129,300</u>
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.	<u>(9,368,329)</u>
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.	<u>(1,366,798)</u>
Amortization expense on deferred amounts on refunding 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.	<u>165,789</u>
Student activities are fiduciary activities and therefore are not reported in the government-wide statement of activities.	
Associated Student Trust	140,318
Academic Affairs	<u>(12,517)</u>
Total fiduciary activities	<u>127,801</u>
<b>Change in Net Position</b>	<b><u>\$ (3,711,140)</u></b>

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**SINGLE AUDIT**

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

To the Board of Trustees  
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, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Southwestern College Foundation, a discretely presented component unit of the District as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 "The Per Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California  
December 14, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2017.

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the accompanying basic financial statements of the District as of and for the year ended June 30, 2017, and the related notes to the financial statements. We issued our report thereon dated December 14, 2017 which contained unmodified opinions 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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.



**Southwestern Community College District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure	Amount Provided to Subrecipients
<b>U.S. Department of Education:</b>					
<b>Direct Programs:</b>					
<b>Financial Aid Cluster:</b>					
	PELL	84.063	P063P131184	\$ 25,300,738	\$ -
	SEOG	84.007	P0078130617	386,987	-
	Direct Loans	84.268	P268K131184	1,278,473	-
	Federal Work Study	84.033	P033A130617	378,834	-
	Total Financial Aid Cluster			<u>27,345,032</u>	-
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A100052	37,818	-
<b>Passed through California Department of Education</b>					
	Career and Technical Education - National Programs	84.051	11-C01-063	836,764	-
	Tech Prep, now CTE Transitions	84.051	11-112-090	41,076	-
	Sub-total			<u>877,840</u>	-
	<b>Total U.S. Department of Education</b>			<b><u>28,222,872</u></b>	<b>-</b>
<b>U.S. Department of Rehabilitation:</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><u>112,500</u></b>	<b>-</b>
<b>U.S. Department of Defense:</b>					
<b>Direct Programs:</b>					
	Procurement Technical Assistance (DLA)	12.002	SP4800-11-2-1149	318,132	-
	<b>Total U.S. Department of Defense</b>			<b><u>318,132</u></b>	<b>-</b>
<b>National Science Foundation:</b>					
<b>Passed through The Foundation for California Community Colleges</b>					
	Alliance for Innovation Program	47.076	NS-014-16	25,000	-
	<b>Total National Science Foundation</b>			<b><u>25,000</u></b>	<b>-</b>
<b>Small Business Administration:</b>					
<b>Direct Programs:</b>					
	2015 US SBA Grant	59.037	SBAHQ-15-B-0056	1,031,812	-
<b>Passed through Riverside Community College District:</b>					
	Collaborating Institution	59.037	SBAHQ-16-G-0001	5,000	-
	Sub-total			<u>1,036,812</u>	-
	<b>Total Small Business Administration</b>			<b><u>1,036,812</u></b>	<b>-</b>
<b>U.S. Veterans Affairs Education Services Outreach</b>					
<b>Direct Programs:</b>					
	Veterans Reporting Fees	64.27	38 USC 3684	12,142	-
	<b>Total U.S. Department of Veterans Affairs</b>			<b><u>12,142</u></b>	<b>-</b>
<b>U.S. Department of Health &amp; Human Services/National Institutes of Health:</b>					
<b>Passed through San Diego State University Research Foundation:</b>					
	SDSU Bridges to Baccalaureate Program	93.859	55127J P1598 7804 212	3,847	-
	<b>Total U.S. Department of Health &amp; Human Services</b>			<b><u>3,847</u></b>	<b>-</b>
<b>U.S. Customs and Border Patrol</b>					
<b>Direct Program</b>					
	Paramedic Refresher Training Course	97.UNK	AR3586.12	5,178	-
	<b>Total U.S. Customs and Border Patrol</b>			<b><u>5,178</u></b>	<b>-</b>
	<b>Total expenditures of federal awards</b>			<b><u>\$ 29,774,301</u></b>	<b><u>\$ -</u></b>

**Southwestern Community College District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

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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 Uniform Guidance. 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.

**Note 3 – Indirect Cost Rate**

The District did not use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.

**Southwestern Community College District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

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**Section I – Summary of Audit Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **None Reported**

Non-compliance material to the financial statements identified? **No**

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **None Reported**

Type of auditor’s report issued on compliance for major programs **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of major programs:

<u>Major Program</u>	<u>CFDA</u>	<u>Expenditures</u>
Financial Aid Cluster:		
PELL	84.063	\$ 25,300,738
SEOG	84.007	386,987
Federal Direct Student Loans	84.268	1,278,473
Federal Work Study	84.033	378,834
Total financial aid cluster		<u>27,345,032</u>
Career and Technical Education - National Programs	84.051	836,764
Tech Prep, now CTE Transitions	84.051	41,076
Subtotal 84.051		<u>877,840</u>
2015 US SBA Grant	59.037	1,031,812
Collaborating Institution	59.037	5,000
Subtotal 59.037		<u>1,036,812</u>
<b>Total Major Program Expenditures</b>		<u><b>\$ 28,381,844</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$ 29,774,301</b></u>
<b>Percent of Total Expenditures of Federal Awards</b>		<u><b>95.32%</b></u>

Dollar threshold used to distinguish between type A and type B programs **\$893,229**

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? **Yes**

**Southwestern Community College District  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2017**

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**Section II – Financial Statement Findings**

**A. Current Year Financial Statement Findings**

No financial statement findings were noted for the year ended June 30, 2017.

**B. Prior Year Financial Statement Findings**

No financial statement findings were noted for the year ended June 30, 2016.

**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, 2017.

**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, 2016.

## **STATE COMPLIANCE**

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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") 2016-2017, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2017.

### **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) 2016-2017, 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 (50 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 Funding System**

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

4365 Executive Drive, Suite 710, San Diego, California 92121

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[www.pungroup.com](http://www.pungroup.com)

**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 – Dual Enrollment of K-12 Students in Community College Credit Courses**

The District claimed full-time equivalent students for K-12 students in accordance with provisions of the Education Code and Title 5 of the California Code of Regulations related to the Dual Enrollment of K-12 Students in Community College Credit Courses.

**428 – Student Equity**

The District submitted an approved Student Equity Plan and budget and expended Student Equity funds in accordance with provisions of the Education Code and Title 5 of the California Code of Regulations related to Student Equity.

**429 – Student Success and Support Program (SSSP)**

The District complied with the Title 5 provisions of the California Code of Regulations related to the Student Success and Support Program.

**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.

**439 – Proposition 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, 2017.

**440 – Intersession Extension Programs**

The District did not have an intersession program in place during fiscal year 2016-2017; therefore, this compliance requirement is not applicable.

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

The District served eligible DSPS student and submitted accurate student-count data for fiscal year 2016-2017 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 – Propositions 1D and 51 State Bond Funded Projects**

The District did not have any Propositions 1D or 51 State Bond funded projects for fiscal year 2016-2017; therefore, this compliance requirement is not applicable.

**491 – Proposition 55 Education Protection Account Funds**

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, 2017.

**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 14, 2017

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## **OTHER INFORMATION**

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**Southwestern Community College District**  
**Other Information**  
**Purpose of Schedules**  
**For the Year Ended June 30, 2017**

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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 Audited Financial Statements

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 Audited Financial Statements

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, 2017**

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	2.38	-	2.38
2. Credit	1,204.58	-	1,204.58
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit	6.91	-	6.91
2. Credit	1,104.54	-	1,104.54
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,843.78	-	9,843.78
(b) Daily Census Contact Hours	819.53	-	819.53
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	241.99	-	241.99
(b) Credit	490.51	-	490.51
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,353.35	-	1,353.35
(b) Daily Census Contact Hours	809.50	-	809.50
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	15,877.07	-	15,877.07
<b>Supplemental Information (subset of above information)</b>			
E. In-Service Training Courses (FTES)	0.31	-	0.31
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	-	-	-
(b) Credit	1,502.12	-	1,502.12
<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, 2017**

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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	Capital Outlay	Prop R Fund	Student Center	Bond Interest and Redemption Fund
Fund balance per the CCFS-311 at June 30, 2017	\$ 12,567,714	\$ 1,555,151	\$ 4,567,880	\$ 107,538,747	\$ 398,914	\$ 22,827,858
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	-	(1)	-	-	-	-
Net adjustments and reclassifications	-	(1)	-	-	-	-
<b>Fund balance per the audited fund financial statements at June 30, 2017</b>	<b>\$ 12,567,714</b>	<b>\$ 1,555,150</b>	<b>\$ 4,567,880</b>	<b>\$ 107,538,747</b>	<b>\$ 398,914</b>	<b>\$ 22,827,858</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, 2017**

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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	Federal Financial Aid	Self Insurance	ASO Student Clubs	Student Service Trust Funds
Fund balance per the CCFS-311 at June 30, 2017	\$ 2,357,504	\$ 971,981	\$ 339,331	\$ 893,202	\$ 745,709	\$ 24,468
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	1	1	-	-	(108,458)	-
Net adjustments and reclassifications	1	1	-	-	(108,458)	-
<b>Fund balance per the audited fund financial statements at June 30, 2017</b>	<b>\$ 2,357,505</b>	<b>\$ 971,982</b>	<b>\$ 339,331</b>	<b>\$ 893,202</b>	<b>\$ 637,251</b>	<b>\$ 24,468</b>

**Southwestern Community College District**  
**Reconciliation of 50% Calculation with**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2017**

Object /TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
<u>Academic Salaries</u>							
Instructional Salaries:							
Contract or Regular	1100	\$ 17,145,879	\$ -	\$ 17,145,879	\$ 17,145,876	\$ -	\$ 17,145,876
Other	1300	15,022,783	-	15,022,783	15,203,137	-	15,203,137
Total Instructional Salaries		<u>32,168,662</u>	<u>-</u>	<u>32,168,662</u>	<u>32,349,013</u>	<u>-</u>	<u>32,349,013</u>
Non-Instructional Salaries:							
Contract or Regular	1200	-	-	-	7,315,972	-	7,315,972
Other	1400	-	-	-	680,642	-	680,642
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>7,996,614</u>	<u>-</u>	<u>7,996,614</u>
Total Academic Salaries		<u>32,168,662</u>	<u>-</u>	<u>32,168,662</u>	<u>40,345,627</u>	<u>-</u>	<u>40,345,627</u>
<u>Classified Salaries</u>							
Non-Instructional Salaries:							
Regular Status	2100	-	-	-	15,476,808	-	15,476,808
Other	2300	-	-	-	1,561,591	-	1,561,591
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>17,038,399</u>	<u>-</u>	<u>17,038,399</u>
Instructional Aides:							
Regular Status	2200	1,911,782	-	1,911,782	1,911,782	-	1,911,782
Other	2400	727,110	-	727,110	817,443	-	817,443
Total Instructional Aides		<u>2,638,892</u>	<u>-</u>	<u>2,638,892</u>	<u>2,729,225</u>	<u>-</u>	<u>2,729,225</u>
Total Classified Salaries		<u>2,638,892</u>	<u>-</u>	<u>2,638,892</u>	<u>19,767,624</u>	<u>-</u>	<u>19,767,624</u>
Employee Benefits	3000	11,135,430	-	11,135,430	20,986,594	-	20,986,594
Supplies and Materials	4000	-	-	-	1,882,507	-	1,882,507
Other Operating Expenses	5000	427,786	-	427,786	8,305,724	-	8,305,724
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		<u>\$ 46,370,770</u>	<u>\$ -</u>	<u>\$ 46,370,770</u>	<u>\$ 91,288,076</u>	<u>\$ -</u>	<u>\$ 91,288,076</u>
<u>Exclusions</u>							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Services							
	5900	\$ 1,294,810	\$ -	\$ 1,294,810	\$ 2,862,487	\$ -	\$ 2,862,487
Student Health Services Above Amount Collected							
	6441	-	-	-	-	-	-
Student Transportation							
	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives							
	6740	-	-	-	-	-	-
Objects to Exclude:							
Rents and Leases							
	5060	-	-	-	18,312	-	18,312
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		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Operating Expenses and Services	5000	-	-	-	1,852,245	-	1,852,245
Capital Outlay:							
Capital Outlay							
	6000	-	-	-	-	-	-
Library Books							
	6300	-	-	-	-	-	-
Equipment - Additional							
	6410	-	-	-	-	-	-
Equipment - Replacement							
	6420	-	-	-	-	-	-
Total Capital Outlay		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		<u>\$ 1,294,810</u>	<u>\$ -</u>	<u>\$ 1,294,810</u>	<u>\$ 4,733,044</u>	<u>\$ -</u>	<u>\$ 4,733,044</u>
Total for ECS 84362, 50% Law		<u>\$ 45,075,960</u>	<u>\$ -</u>	<u>\$ 45,075,960</u>	<u>\$ 86,555,032</u>	<u>\$ -</u>	<u>\$ 86,555,032</u>
Percent of CEE (Instructional Salary Cost / Total CEE)		<u>52.08%</u>	<u>-</u>	<u>52.08%</u>	<u>100.00%</u>	<u>-</u>	<u>100.00%</u>
50% of Current Expense of Education					<u>\$ 43,277,516</u>	<u>-</u>	<u>\$ 43,277,516</u>

**Southwestern Community College District  
 Reconciliation of Education Protection Account Expenditures  
 with Audited Financial Statements  
 For the Year Ended June 30, 2017**

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Education Protection Account proceeds per the CCFS-311:                   \$ 12,512,463

	<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	\$ -	\$ 12,512,463	\$ -	\$ -	\$ 12,512,463

**Southwestern Community College District**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2017**

State Agency	Program Name	Cash Received	Accounts Receivable	Unearned Income	Total	Total Program Expenditures
<b>State Department of Education</b>						
<b>Direct Programs:</b>						
	AB104 - Adult Education Consortium Block Grant	\$ 933,491	\$ -	\$ 471,791	\$ 461,700	\$ 461,700
	Total direct programs	933,491	-	471,791	461,700	461,700
<b>Passed through California Community College Chancellor's Office:</b>						
	CA Apprenticeship Grant	119,999	-	73,556	46,443	46,443
	Deputy Sector Navigator (DSN)	38,842	161,158	-	200,000	200,000
	Instructional Supplies and Materials	-	-	-	-	-
	Instructional Equipment and Library	450,910	586,364	278,432	758,842	758,842
	Center for International Trade Development	(20,000)	120,000	-	100,000	100,000
	Small Business Sector Navigator	-	-	-	-	-
	CTE Enhancement Fund	273,725	-	62,652	211,073	211,073
	Total passed through California Community Colleges Chancellor's Office	863,476	867,522	414,640	1,316,358	1,316,358
	Total State Department of Education	1,796,967	867,522	886,431	1,778,058	1,778,058
<b>California Community Colleges Chancellor's Office:</b>						
<b>I Direct Programs:</b>						
	Basic Skills	466,400	-	-	466,400	466,400
	EOPS Category A	2,232,991	-	-	2,232,991	2,232,991
	EOPS CARE Support	199,315	800	-	200,115	200,115
	DSPS Programs and Services	1,920,534	-	-	1,920,534	1,920,534
	California Work Opportunity and Responsibility for Kids (CalWorks)	422,434	59,200	55,681	425,953	425,953
	Matriculation Assessment	4,390,578	-	258,736	4,131,842	4,131,842
	Matriculation Non-Credit	129,085	-	33,319	95,766	95,766
	Temporary Cash Assistance for Needy Families (TANF)	88,214	-	1,537	86,677	86,677
	Associate Degree Nursing Enrollment Growth	61,255	35,745	-	97,000	97,000
	Physical Plan and Instructional Support Block Grant	503,493	-	-	503,493	503,493
	Assessment, Remediation and Retention	104,825	9,175	-	114,000	114,000
	MESA	-	9,279	-	9,279	9,279
	Strong Workforce	1,435,133	-	1,424,530	10,603	10,603
	Staff Diversity	148,895	-	25,003	123,892	123,892
	BFAP Financial Aid Allowance	678,952	-	-	678,952	678,952
	Student Equity	2,959,738	-	175,084	2,784,654	2,784,654
	Title V - Puertas al Futuro	436,450	135,480	-	571,930	571,930
<b>Passed through Grossmont CCD:</b>						
	Basic Skills Partnership Pilot	56,000	-	53,230	2,770	2,770
	Total California Community Colleges Chancellor's Office	16,234,292	249,679	2,027,120	14,456,851	14,456,851
<b>California Governor's Office of Business and Economic Development:</b>						
<b>Direct Programs:</b>						
	Go-Biz	200,373	112,844	61,467	251,750	251,750
	Total California Department of Business and Economic Development	200,373	112,844	61,467	251,750	251,750
<b>California Department of Boating and Waterways:</b>						
<b>Direct Programs:</b>						
	Aquatic Center Grant	39,254	-	4,459	34,795	34,795
	Total California Department of Boating and Waterways	39,254	-	4,459	34,795	34,795
	<b>Total State Programs</b>	<b>\$ 18,270,886</b>	<b>\$ 1,230,045</b>	<b>\$ 2,979,477</b>	<b>\$ 16,521,454</b>	<b>\$ 16,521,454</b>

**Southwestern Community College District**  
**Budget Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2017**

	General Fund - Unrestricted			General Fund-Restricted		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Federal	\$ 225,000	\$ 243,488	\$ 18,488	\$ 2,825,096	\$ 2,813,298	\$ (11,798)
State	61,740,339	61,392,804	(347,535)	17,046,539	16,668,701	(377,838)
Local	30,983,128	32,544,749	1,561,621	4,901,159	3,233,553	(1,667,606)
<b>Total revenues</b>	<u>92,948,467</u>	<u>94,181,041</u>	<u>1,232,574</u>	<u>24,772,794</u>	<u>22,715,552</u>	<u>(2,057,242)</u>
<b>EXPENDITURES:</b>						
Salaries	63,433,454	61,558,359	1,875,095	12,413,770	12,895,036	(481,266)
Employee benefits	19,644,273	19,501,245	143,028	3,270,471	3,352,908	(82,437)
Payments to students	280,000	176,597	103,403	1,129,550	1,300,758	(171,208)
Supplies, materials, and other expenses	10,265,054	7,767,608	2,497,446	7,913,361	6,311,418	1,601,943
Utilities	2,176,977	2,921,518	(744,541)	45,642	14,740	30,902
<b>Total expenditures</b>	<u>95,799,758</u>	<u>91,925,327</u>	<u>3,874,431</u>	<u>24,772,794</u>	<u>23,874,860</u>	<u>897,934</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,851,291)</u>	<u>2,255,714</u>	<u>5,107,005</u>	<u>-</u>	<u>(1,159,308)</u>	<u>(1,159,308)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	942,238	942,238
Transfers out	-	(1,312,238)	(1,312,238)	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(1,312,238)</u>	<u>(1,312,238)</u>	<u>-</u>	<u>942,238</u>	<u>942,238</u>
<b>CHANGES IN FUND BALANCES</b>	<u>\$ (2,851,291)</u>	<u>943,476</u>	<u>\$ 3,794,767</u>	<u>\$ -</u>	<u>(217,070)</u>	<u>\$ (217,070)</u>
<b>FUND BALANCES:</b>						
Beginning of year		<u>11,624,238</u>			<u>1,772,220</u>	
End of year		<u>\$ 12,567,714</u>			<u>\$ 1,555,150</u>	