

Southwestern Community College District

Chula Vista, California

Basic Financial Statements

For the year ended June 30, 2009

C&L
Caporicci & Larson
Certified Public Accountants

Southwestern Community College District

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Southwestern Community College District

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Southwestern Community College District

Introductory Section

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

The Governing Board for the fiscal year ended June 30, 2009 was composed of the following members:

Member	Office	Term Expires
Jean Roesch, Ed.D.	President	December 2012
Yolanda Salcido	Vice President	December 2010
Terri Valladolid	Board Member	December 2010
Nick Aguilar	Board Member	December 2012
Jorge Dominguez, Ph.D.	Board Member	December 2010
Chris DeBauche	Student-Board Member	May 2010

The Executive and Senior Administration for the fiscal year ended June 30, 2009 was composed of the following members:

Member	Office
Dr. Raj K. Chopra	Superintendent/President
Nicholas C. A. Alioto, CPA	Vice-President of Business & Financial Affairs
Michael Kerns	Vice-President of Human Resources
Dr. Mark Meadows	Vice-President of Academic Affairs
Angelica Suarez	Vice-President of Student Affairs

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Southwestern Community College District (District) as of and for the year ended June 30, 2009, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Southwestern Community College District Foundation (Foundation), a discretely presented component unit of the District. Those financial statements were audited by other auditors whose report 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 generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 13 to the basic financial statements, subsequent to the financial statements date of June 30, 2009, the State of California (State) has experienced a significant financial and budget shortfall. Lawmakers passed a bill (AB 3X 37) which implements a number of funding deferrals to various government sectors including the California Community Colleges, University of California and California State University. This action by the State is very significant to the District and may affect the District's ongoing operations. Certain lawsuits are in process to stop such State action.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2009, the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the District implemented Governmental Accounting Standards Board Statements No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, No. 52, *Land and Other Real Estate Held as Investments by Endowments*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*.

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

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although is not required to be part of the basic financial statements.

The accompanying Required Supplementary Information, such as Schedule of Funding Progress for Defined Benefit Plans, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting 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.

The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the District, taken as a whole. The accompanying Supplementary Information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the Introductory Section.

Capricci & Carson

San Diego, California
December 21, 2009

BASIC FINANCIAL STATEMENTS

Southwestern Community College District
Statement of Net Assets
June 30, 2009

	District	Foundation
ASSETS		
Current assets:		
Cash and investments	\$ 33,152,216	\$ 594,187
Restricted cash and investments	6,070,375	-
Accounts receivable	12,542,934	9,585
Inventories	1,464,181	-
Prepaid items	4,976	-
Total current assets	53,234,682	603,772
Noncurrent assets:		
Capital assets, net	116,978,668	-
Total noncurrent assets	116,978,668	-
Total assets	170,213,350	603,772
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	1,643,421	17,113
Payroll and related liabilities	3,730,377	-
Unearned revenue	7,360,696	-
Compensated absences - due within one year	401,740	-
Retirement plan payable - due within than one year	160,000	-
Long-term liabilities - due within one year	2,666,941	-
Total current liabilities	15,963,175	17,113
Noncurrent liabilities:		
Insurance claims payable	93,191	-
Compensated absences - due in more than one year	1,846,907	-
Retirement plan payable - due in more than one year	629,797	-
Long-term liabilities - due in more than one year	86,294,366	-
Total noncurrent liabilities	88,864,261	-
Total liabilities	104,827,436	17,113
Net Assets:		
Invested in capital assets, net of related debt	28,017,361	-
Restricted for:		
Special projects	-	501,602
Capital projects	37,201	-
Debt service	6,033,174	-
Total restricted	6,070,375	501,602
Unrestricted	31,298,178	85,057
Total net assets	\$ 65,385,914	\$ 586,659

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2009

	District	Foundation
OPERATING REVENUES:		
Tuition and fees	\$ 6,622,151	\$ -
Grants and contracts, non-capital:		
Federal	17,692,473	-
State	2,369,144	-
Local	2,627,315	-
Total grants and contracts, non-capital	22,688,932	-
Auxiliary enterprise sales and charges, net	5,913,831	67,917
Other operating revenues	349,689	-
Total operating revenues	35,574,603	67,917
OPERATING EXPENSES:		
Salaries	67,070,173	-
Employee benefits	14,569,809	-
Payments to students	16,731,337	-
Supplies, materials, and other expenses	15,800,611	172,743
Utilities	2,230,710	-
Depreciation	3,437,289	-
Total operating expenses	119,839,929	172,743
Operating income (loss)	(84,265,326)	(104,826)
NONOPERATING REVENUE (EXPENSES):		
State apportionments, non-capital	62,891,624	-
Local property taxes, non-capital	25,706,713	-
State taxes and other revenues	65,004	-
Investment income, non-capital	1,039,138	28,242
Interest expense	(3,709,960)	(146,299)
Grants and gifts	9,567	-
Other nonoperating revenues (expenses)	(623,195)	-
Total nonoperating revenues (expenses), net	85,378,891	(118,057)
Net change in net assets	1,113,565	(222,883)
NET ASSETS:		
Beginning of year, as restated (Note 12)	64,272,349	809,542
End of year	\$ 65,385,914	\$ 586,659

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Cash Flows
For the year ended June 30, 2009

	District	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 4,051,713	\$ -
Grants and contracts	22,688,932	-
Payments for supplies and services	(16,736,324)	(160,975)
Payments for utilities	(2,230,710)	-
Payments to/on behalf of employees	(80,742,275)	-
Payments to students	(16,731,337)	-
Auxiliary enterprise sales and charges	5,913,831	63,588
Other operating revenues and expenses	657,489	-
Net cash provided (used) by operating activities	(83,128,681)	(97,387)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State apportionments	62,891,624	-
Local property taxes	25,706,713	-
State taxes and other revenues	65,004	-
Other	(613,628)	-
Net cash provided (used) by noncapital financing activities	88,049,713	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Net change in capital assets	(6,036,195)	-
Principal paid on long-term debt	(2,273,618)	-
Payment of interest and fees	(4,005,595)	-
Net cash provided (used) by capital financing activities	(12,315,408)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and investment proceeds	1,039,138	(118,057)
Net cash provided (used) by investing activities	1,039,138	(118,057)
Net increase (decrease) in cash and investments	(6,355,238)	(215,444)
CASH AND INVESTMENTS:		
Beginning of year	45,895,592	809,631
End of year	<u>\$ 39,540,354</u>	<u>\$ 594,187</u>
RECONCILIATION OF CASH AND INVESTMENTS		
TO STATEMENTS OF NET ASSETS:		
Cash and investments	\$ 33,152,216	\$ 594,187
Restricted cash and investments	6,070,375	-
Total cash and investments	<u>\$ 39,222,591</u>	<u>\$ 594,187</u>

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Cash Flows, Continued
For the year ended June 30, 2009

	District	Foundation
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (84,265,326)	\$ (104,826)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Prior period adjustments	317,763	-
Depreciation expense	3,437,289	-
Change in assets and liabilities:		
Receivables	(4,655,689)	(4,329)
Inventories	56,608	-
Prepaid items	206,774	-
Accounts payable and accrued liabilities	(1,199,095)	11,768
Payroll and related liabilities	1,027,548	-
Unearned revenue	2,085,251	-
Insurance claims payable	(9,963)	-
Retirement plan payable	(160,152)	-
Compensated absences	30,311	-
Net cash provided (used) by operating activities	\$ (83,128,681)	\$ (97,387)

See accompanying notes to basic financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

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Southwestern Community College District
Statement of Fiduciary Net Assets
June 30, 2009

	Associated Student Trusts	Academic Affairs	Total
ASSETS			
Current assets:			
Cash and investments	\$ 625,896	\$ 492,726	\$ 1,118,622
Accounts receivable	46,490	9,861	56,351
Other assets	43,983	-	43,983
Total assets	716,369	502,587	1,218,956
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued liabilities	27,356	493,904	521,260
Deposits payable	10,262	-	10,262
Total liabilities	37,618	493,904	531,522
Net Assets:			
Unrestricted	678,751	8,683	687,434
Total net assets	\$ 678,751	\$ 8,683	\$ 687,434

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2009

	Associated Student Trusts	Academic Affairs	Total
OPERATING REVENUES:			
Student fees	\$ 398,460	\$ -	\$ 398,460
Interest and investment income	-	7,145	7,145
Total operating revenues	398,460	7,145	405,605
OPERATING EXPENSES:			
Salaries and benefits	101,514	-	101,514
Payments to students	18,000	-	18,000
Supplies, materials, and other expenses	261,805	10,092	271,897
Total operating expenses	381,319	10,092	391,411
Operating income (loss)	17,141	(2,947)	14,194
TRANSFERS:			
Transfers from District	30,000	-	30,000
Total transfers	30,000	-	30,000
Net Change in Net Assets	47,141	(2,947)	44,194
NET ASSETS:			
Beginning of year	631,610	11,630	643,240
End of year	\$ 678,751	\$ 8,683	\$ 687,434

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Southwestern Community College District
Notes to Basic Financial Statements
For the year ended June 30, 2009

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.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14. The District evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete.

The financial reporting entity, as defined by GASB, 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 are 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, 2009:

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

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

The Southwestern College Foundation

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

B. Basis of Accounting and Measurement Focus

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Basic Financial Statements

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 Assets, Statement of Activities and Change in Net Assets, and Statement of Cash Flows. Fiduciary activities are reported separately but are also included in the District statements.

The basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Under accrual basis of accounting, revenues are recognized when earned while expenses are recognized when the liability is incurred.

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables.

The District applies all applicable GASB pronouncements (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

C. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances were liquidated at June 30 since they do not constitute expenditures or liabilities.

D. 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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, 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.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents, and Investments, Continued

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, the District adheres to certain disclosure requirements, if applicable for deposit and investment risks, that are specified for the following areas:

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

E. 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.

F. Accounts Receivable

Accounts receivable consist of amounts due from the Federal government, 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 or year-end.

G. Inventories

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

H. Bond Discounts, Premiums, Issuance Costs and Refunding Losses

In governmental fund types, bond discounts, premium, issuance costs, and refunding losses are recognized in the period of issuance. In government-wide financial statements, they are amortized over the life of the bond and charged to expense accounts.

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.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 fair market value at the date of donation.

Assets that do not meet the capitalization threshold of \$5,000 (\$1,000 for enterprise 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>
Infrastructure	35-60
Buildings	50
Equipment/Vehicles	5-6
Technology equipment	3

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the District has included all infrastructures in the basic financial statements.

The District defines infrastructure as the basic physical assets that allow the District to function. The appropriate operating department maintains information regarding the subsystems.

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

For all infrastructure systems, the District elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting.

K. Net Assets

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted" net assets.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 are earned in the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

M. Property Taxes

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

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

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. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the District and, therefore, are not recorded as revenue until collected.

N. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government.

The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all community college districts in California; however, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, including state appropriations, local property taxes and investment income.

Revenues are classified according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Non-operating Revenues

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

P. Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students’ behalf. Certain governmental grants, such as Pell Grants, and other federal, state or non-governmental programs are recorded as operating revenues in the District’s financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student charges, the District has recorded a scholarship discount and allowance.

Q. Use of Estimates

The preparation of its basic financial statements in conformity with GAAP 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.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Implementation of New GASB Pronouncements

In fiscal year 2009, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowment*
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the "GAAP hierarchy," which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP and the framework for selecting those principles.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The Statement No. 56 guidance addresses three issues from the AICPA's literature—related party transactions, going concern considerations, and subsequent events.

2. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2009:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and investments	\$ 33,152,216	\$ 1,118,622	\$ 594,187	\$ 34,865,025
Restricted cash and investments	6,070,375	-	-	6,070,375
	<u>\$ 39,222,591</u>	<u>\$ 1,118,622</u>	<u>\$ 594,187</u>	<u>\$ 40,935,400</u>

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

Cash, cash equivalents, and investments consisted of the following at June 30, 2009:

Demand Deposits:	
Cash on hand	\$ 50,000
Cash in bank accounts	3,223,891
Total demand deposits	<u>3,273,891</u>
Investments:	
San Diego County Investment Pool	36,809,619
Investment Contract	851,890
Total investments	<u>37,661,509</u>
Total cash and investments	<u><u>\$ 40,935,400</u></u>

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 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-rate a 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, 2009, the District had \$36,809,619 invested in the San Diego County Investment Pool.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

Restricted Cash and Investments

As of June 30, 2009, the District had restricted cash and investment totaling \$6,070,375. 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.

Credit Risk

The District's investments are not rated by the nationally recognized statistical rating organizations.

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.

Custodial Credit Risk

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

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

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. ACCOUNTS RECEIVABLE

The following is a summary of receivables at June 30, 2009:

Grants:		
Federal	\$	752,102
State		276,163
Local		1,406,589
Total grants		2,434,854
State Apportionments		8,265,684
Lottery Apportionments		995,529
Other		846,867
Total	\$	12,542,934

4. CAPITAL ASSETS

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Deletions	Reclassification	Balance June 30, 2009
Nondepreciable Assets:					
Land	\$ 9,839,823	\$ -	\$ -	\$ -	\$ 9,839,823
Construction in progress	12,125,270	211,160	-	(12,125,270)	211,160
Total nondepreciable assets	21,965,093	211,160	-	(12,125,270)	10,050,983
Depreciable Assets:					
Site improvements	11,096,363	3,195,744	-	12,125,270	26,417,377
Buildings	101,477,832	3,584,565	(2,120,059)	-	102,942,338
Equipment	4,979,896	266,828	-	-	5,246,724
Total depreciable assets, at costs	117,554,091	7,047,137	(2,120,059)	12,125,270	134,606,439
Less accumulated depreciation:					
Site improvements	(4,273,770)	(839,305)	-	-	(5,113,075)
Buildings	(17,525,110)	(2,110,585)	897,957	-	(18,737,738)
Equipment	(3,340,542)	(487,399)	-	-	(3,827,941)
Total accumulated depreciation	(25,139,422)	(3,437,289)	897,957	-	(27,678,754)
Total depreciable assets, net	92,414,669	3,609,848	(1,222,102)	12,125,270	106,927,685
Total capital assets, net	\$ 114,379,762	\$ 3,821,008	\$ (1,222,102)	\$ -	\$ 116,978,668

Depreciation expense for capital assets for the year ended June 30, 2009 was \$3,437,289.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. UNEARNED REVENUE

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2009 for the subsequent 2008-2009 year. As of June 30, 2009, the District's unearned revenue balance consists of the following:

Federal sources	\$ 75,759
State sources	4,703,121
Enrollment fees	1,355,800
Other local sources	1,226,016
	<u>\$ 7,360,696</u>

6. LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended June 30, 2009:

	Balance at July 1, 2008	Prior Period Adjustments	Additions	Deletions	Balance at June 30, 2009	Due within One Year	Due in More Than One Year
Bonds payable:							
Lease Revenue Bonds	\$ 1,770,000	\$ -	\$ -	\$ (70,000)	\$ 1,700,000	\$ 75,000	\$ 1,625,000
GO Bond 2000, Series 2001	15,446,369	(2,452,395)	-	-	12,993,974	-	12,993,974
GO Bond 2005	38,915,000	-	-	(750,000)	38,165,000	855,000	37,310,000
GO Bond 2005, Refunding Series B	36,850,589	(2,300,982)	-	(1,453,618)	33,095,989	1,441,306	31,654,683
Unamortized deferred charges	3,301,979	-	-	(295,635)	3,006,344	295,635	2,710,709
Total bonds payable	96,283,937	(4,753,377)	-	(2,569,253)	88,961,307	2,666,941	86,294,366
Retirement plans payable:							
CalSTRS Retirement Plan	949,949	-	-	(160,152)	789,797	160,000	629,797
Compensated Absences	2,218,336	-	30,311	-	2,248,647	401,740	1,846,907
Total	\$ 99,452,222	\$ (4,753,377)	\$ 30,311	\$ (2,729,405)	\$ 91,999,751	\$ 3,228,681	\$ 88,771,070

Lease Revenue Bond

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. Interest is payable April 1 and October 1, commencing on April 1, 1999, at rates ranging from 3.5% to 5.0%. Principal is payable October 1, commencing October 1, 2000 and through the maturity date October 1, 2024.

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 is \$2,413,874, payable through fiscal year 2025.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LONG-TERM DEBT, Continued

The annual requirement for the lease revenue bonds outstanding at June 30, 2009 is as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 75,000	\$ 77,078	\$ 152,078
2011	80,000	73,860	153,860
2012	80,000	70,460	150,460
2013	85,000	66,870	151,870
2014	90,000	62,750	152,750
2015-2019	505,000	245,959	750,959
2020-2024	640,000	113,453	753,453
2025	145,000	3,444	148,444
Total	\$ 1,700,000	\$ 713,874	\$ 2,413,874

General Obligation Bonds - 2000

In January 2005, the District authorized the sale and issuance of 2005 General Obligation Bonds, Refunding of Election 2000, Series 2001 in the amount of \$40,575,000. Proceeds from the sale of the bonds were used to advance refund the entire outstanding principle amount of the District's General Obligation Bonds, Series 2001 and to fund additional capital projects authorized by the initial measure. Interest is payable February 1 and August 1, commencing August 1, 2005 at rates ranging from 3.0% to 5.2%. Principal is payable August 1, commencing August 1, 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 - 2000. Total principal and interest remaining on the bonds is \$41,197,094, payable through 2030.

The annual requirements for debt service and accretion outstanding at June 30, 2009 are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ -	\$ -	\$ -
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015-2019	-	-	-
2020-2024	-	-	-
2025-2029	11,441,775	26,076,719	37,518,494
2030	1,552,199	2,126,401	3,678,600
Total	\$ 12,993,974	\$ 28,203,120	\$ 41,197,094

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LONG-TERM DEBT, Continued

General Obligation Bonds - 2005

In September 2004, the District authorized the sale and issuance of 2005 General Obligation Bonds in the amount of \$49,353,974. Proceeds from the sale of the bonds will 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, 2005 at rates ranging from 3.0% to 5.2%. Principal is payable August 1, commencing August 1, 2005 and through the maturity date August 1, 2025.

The bonds are solely payable from *ad valorem* property taxes levied. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds - 2005. Total principal and interest remaining on the bonds is \$58,091,813, payable through 2026.

The annual requirement for debt service payments outstanding at June 30, 2009 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 855,000	\$ 1,783,300	\$ 2,638,300
2011	965,000	1,756,000	2,721,000
2012	1,085,000	1,719,825	2,804,825
2013	1,220,000	1,673,725	2,893,725
2014	1,370,000	1,621,925	2,991,925
2015-2019	9,440,000	6,950,263	16,390,263
2020-2024	15,125,000	4,008,150	19,133,150
2025-2026	8,105,000	413,625	8,518,625
Total	<u>\$ 38,165,000</u>	<u>\$ 19,926,813</u>	<u>\$ 58,091,813</u>

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 \$640,857 of bond issuance costs and a \$947,394 refunding adjustment associated with the partial refunding of the 2004 General Obligation Bonds.

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 - 2005 Refunding Series B. Total principal, interest, and accretion remaining on the bonds is \$44,237,135, payable through 2018.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. LONG-TERM DEBT, Continued

General Obligation Bonds – 2005 Refunding Series B, Continued

The annual requirements for debt service and accretion outstanding at June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accretion</u>	<u>Total</u>
2010	\$ 1,441,306	\$ 1,587,338	\$ 987,006	\$ 4,015,650
2011	1,419,683	1,587,338	560,159	3,567,180
2012	2,795,000	1,513,969	-	4,308,969
2013	3,215,000	1,356,206	-	4,571,206
2014	3,670,000	1,175,475	-	4,845,475
2015-2019	20,555,000	2,373,655	-	22,928,655
Total	<u>\$ 33,095,989</u>	<u>\$ 9,593,981</u>	<u>\$ 1,547,165</u>	<u>\$ 44,237,135</u>

California State Teachers' Retirement System (CalSTRS) Retirement Plan

In November 2004, the District provided a retirement incentive under AB1207, The Golden Handshake Additional Service Credit for State Teachers Retirement System Members, as designated by the CalSTRS Retirement Incentive Program. The Program's main feature is the purchase by the District of two years of service credit plus two years of age credit towards retirement for academic employees who meet the qualifications. A total of sixteen retirees qualified for the program, which resulted in an obligation to the District in the amount of \$1,653,201. At June 30, 2009, the outstanding balance of CalSTRS was \$789,797.

Compensated Absences

The District's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$2,248,647.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

	Faculty	Classified	Management*
Benefit types provided	Medical and Dental	Medical only	Medical, Dental, and Medicare Part B
Duration of Benefits	Lifetime	Lifetime	Lifetime
Required Service	15 Years	15 Years	10 Years
Minimum Age	55	50	55
Dependent Coverage	No	No	No
College Contribution %	50% (not less than \$1,000 per year)	100%	100%
College Cap	None	\$550 per year after age 65	\$500 per year after age 65**

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

** Employees hired prior to 1/1/2004 are not subject to this cap.

Funding Policy

In fiscal year 2008, the District contributed \$1,000,000 to the Community College League of California - Joint Powers Authority (CCLC-JPA) and has adopted a goal of fully funding the plan on a fully projected basis by allowing the \$1,000,000 to grow with interest until it is sufficient to pay all future retiree benefits. The District contributed an additional \$500,000 during fiscal year 2009. At June 30, 2009, the market value of the irrevocable trust was \$1,389,717.

Annual OPEB Cost

For the year ended June 30, 2009, the District's Annual Required Contribution ("ARC") for OPEB was \$766,468. 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:

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Change in OPEB Assets/ (Liabilities)	Net OPEB Assets/ (Liabilities)
6/30/2008	\$ 824,684	\$ 1,000,000	121%	\$ 175,316	\$ 175,316
6/30/2009	766,468	785,887	103%	19,419	194,735

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. OTHER POST EMPLOYMENT BENEFITS, Continued

Most Recent Actuarial Study – Status of Funding Progress

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Overfunded (Unfunded) Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Overfunded (Unfunded) Actuarial Liabilities as Percentage of Covered Payroll
12/1/2005	\$ -	\$ 10,778,362	\$ (10,778,362)	0.00%	\$ 3,434,028	313.87%
8/1/2009	1,389,717	9,672,114	(8,282,397)	14.37%	3,872,045	213.90%

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 August 1, 2009. In that valuation, the Entry Aged Normal Cost Method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 4 percent, and a 3 percent payroll increase per year. All assumptions reflect an implicit 3 percent 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, 2009 was 30 years.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

8. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

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.). 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, 2009.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer rate for fiscal year 2008-2009 was 8.25% of annual payroll. The contribution requirements on the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal year ended June 30, 2009, 2008 and 2007 were \$3,072,636, \$3,078,655, and \$2,891,579, respectively, and equal to 100% of the Annual Required Contributions.

Most Recent Actuarial Study – Status of Funding Progress

The District's CalSTRS retirement plan is part of the County of San Diego Pool, a cost-sharing multiple-employer contributory public employee retirement system defined benefit pension plan. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required as information is not specific to the District.

California Public Employees' Retirement System (CalPERS)

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.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

8. EMPLOYEE RETIREMENT SYSTEMS, Continued

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$2,050,090, \$2,080,883, and \$1,772,603, respectively, and equal 100% of the annual required contributions.

Most Recent Actuarial Study - Status of Funding Progress

The District's CalPERS retirement plan is part of the County of San Diego Pool, a cost-sharing multiple-employer contributory public employee retirement system defined benefit pension plan. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required as information is not specific to the District.

9. RISK MANAGEMENT

The District's risks management activities are recorded in the General and Self-Insurance Funds. The purpose of the funds is to administer employee dental, property and liability, and worker's compensation insurance programs for the District.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (the Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

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.

Claims Liabilities

The increase in Incurred But Not Paid (IBNP) claims is calculated by subtracting an estimate of outstanding claims at December 31, 2005 from an estimate of claims still outstanding at December 31, 2006. The estimate of claims outstanding at December 31, 2006 is based on an actuarial method known as the Bornhuetter-Ferguson Method. The proportion of claims expected to be outstanding is based on completion factors derived from actual College claim lag data. Using this method, the IBNP claims are estimated as the sum, for all prior months, of: Expected Incurred Claims for the months times Proportion of Claims Expected to Be Still Outstanding.

The following is a summary of the changes in Incurred But Not Paid (IBNP) for the year ended June 30, 2009:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009	Due within One Year	Due in More Than One Year
Incurred but not paid (IBNP)	\$ 103,154	\$ -	\$ (9,963)	\$ 93,191	\$ -	\$ 93,191

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

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.

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

	June 30, 2008
Assets	\$ 39,034,338
Liabilities	\$ 19,175,367
Net Assets	\$ 19,858,971
Operating revenues	\$ 8,395,789
Operating expenses	\$ 8,769,388
Nonoperating revenues	\$ 2,344,330
Change in net assets	\$ 1,970,731

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. It is, therefore, not appropriate to accrue the value of accumulated sick leave.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

11. COMMITMENTS AND CONTINGENCIES, Continued

State and Federal Allowances, Awards and Grants

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.

12. PRIOR PERIOD ADJUSTMENTS

On July 1, 2008, the District recorded the following prior period adjustments:

District-Wide Financial Statements

Description	Amount
To adjust long-term debt balance to match County's records	\$ 4,753,377
To record miscellaneous adjustments in the General Fund	317,763
Total prior period adjustment	<u>\$ 5,071,140</u>

Accordingly, the net assets as of July 1, 2008, have been restated as follows:

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets as Restated
Net assets	<u>\$ 59,518,972</u>	<u>\$ 5,071,140</u>	<u>\$ 64,590,112</u>

Fund Financial Statements

On July 1, 2008, the District recorded the following prior period adjustments:

	Fund Balances / Net Assets as Previously Reported	Prior Period Adjustments	Fund Balances / Net Assets, as restated
Governmental Fund Type:			
General Fund	\$ 11,014,120	\$ (1,443,808)	\$ 9,570,312
Total governmental fund balances	<u>\$ 11,014,120</u>	<u>\$ (1,443,808)</u>	<u>\$ 9,570,312</u>

General Fund:

	Amount
Fund balance as previously reported	\$ 11,014,120
Adjustments:	
To adjust for compensated absences reported in General Fund	(1,443,808)
Net adjustments	<u>(1,443,808)</u>
Fund balance as restated	<u>\$ 9,570,312</u>

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

13. SUBSEQUENT EVENTS

Issuance of Election of 2008 General Obligation Bonds, Series A and B

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 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 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 Series B bonds will be 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.

State of California Budget Shortfall

The State of California has experienced a significant budget and financial shortfall. Subsequent to the financial statement date of June 30, 2009, the State has decided to borrow, to defer certain revenue payments and to take certain funds from local governments including the District. Passage of Assembly Bills 3X-37 implements a number of funding deferrals to various government sectors including the California Community Colleges. For the Community College Districts, the total deferrals will be over \$1 billion. Of this amount, \$703 million is deferred within the fiscal year 2009-2010. Another \$300 million is deferred within the fiscal year 2010-2011. These deferrals are assumed to be permanent. The deferral impact for the District is approximately \$8,266,000. This amount is significant to the District. Management has performed its cash flow analysis and believes that there are no liquidity issues resulting from this action for the fiscal year ending June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

Southwestern Community College District
Required Supplementary Information
For the year ended June 30, 2009

1. SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFITS PLANS

California State Teachers' Retirement System (CalSTRS)

The District's CalSTRS retirement plan is part of the State Pool, a cost-sharing multiple-employer contributory public employee retirement system defined benefit pension plan. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required as information is not specific to the District.

California Public Employees' Retirement System (CalPERS)

The District's CalSTRS retirement plan is part of the County of San Diego Pool, a cost-sharing multiple-employer contributory public employee retirement system defined benefit pension plan. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required as information is not specific to the District.

Other Post Employment Benefits (OPEB)

A schedule of funding progress for the year ended June 30, 2009 including the actuarial valuations is presented below.

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Overfunded (Unfunded) Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Overfunded (Unfunded) Actuarial Liabilities as Percentage of Covered Payroll
12/1/2005	\$ -	\$ 10,778,362	\$ (10,778,362)	0.00%	\$ 3,434,028	-313.87%
8/1/2009	1,389,717	9,672,114	(8,282,397)	14.37%	3,872,045	-213.90%

SUPPLEMENTAL INFORMATION

Southwestern Community College District
Combining Balance Sheet
June 30, 2009

	General Fund	Prop AA Fund	Student Center	Capital Outlay	Bookstore
ASSETS					
Current assets:					
Cash and investments	\$ 15,768,107	\$ 13,879,781	\$ 219,412	\$ 1,714,806	\$ 1,069,157
Accounts receivable	11,722,072	51,148	799	388,024	273,171
Student loans receivable	-	-	-	-	-
Inventories	104,089	-	-	-	1,318,088
Prepaid items	1,145	-	-	-	3,831
Due from other funds	648,867	-	-	16,819	31,538
Restricted cash and investments	-	-	-	-	-
Total current assets	28,244,280	13,930,929	220,211	2,119,649	2,695,785
Noncurrent assets:					
Capital assets, net	-	-	-	-	234,153
Total noncurrent assets	-	-	-	-	234,153
Total assets	\$ 28,244,280	\$ 13,930,929	\$ 220,211	\$ 2,119,649	\$ 2,929,938
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,294,152	\$ 110,589	\$ -	\$ 13,632	\$ 159,350
Payroll and related liabilities	3,730,377	-	-	-	-
Compensated absences	2,248,647	-	-	-	-
Deferred revenue	7,360,696	-	-	-	-
Due to other funds	298,692	9,745	6,731	600	77,034
Deposits payable	-	-	-	-	-
Total liabilities	14,932,564	120,334	6,731	14,232	236,384
Fund Balances	13,311,716	13,810,595	213,480	2,105,417	2,693,554
Total liabilities and fund balances	\$ 28,244,280	\$ 13,930,929	\$ 220,211	\$ 2,119,649	\$ 2,929,938

Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance	Total
\$ 169,774	\$ 625,896	\$ 201,519	\$ 492,726	\$ -	\$ 129,660	\$ 34,270,838
80,155	46,490	27,431	9,861	-	134	12,599,285
-	-	-	-	-	-	-
42,004	-	-	-	-	-	1,464,181
-	-	-	-	-	-	4,976
335	-	-	-	-	250,000	947,559
-	-	-	-	6,070,375	-	6,070,375
292,268	672,386	228,950	502,587	6,070,375	379,794	55,357,214
103,863	43,983	-	-	-	-	381,999
103,863	43,983	-	-	-	-	381,999
\$ 396,131	\$ 716,369	\$ 228,950	\$ 502,587	\$ 6,070,375	\$ 379,794	\$ 55,739,213
\$ 64,922	\$ 27,356	\$ 776	\$ 493,904	\$ -	\$ -	\$ 2,164,681
-	-	-	-	-	-	3,730,377
-	-	-	-	-	-	2,248,647
-	-	-	-	-	-	7,360,696
554,757	-	-	-	-	-	947,559
-	10,262	-	-	-	-	10,262
619,679	37,618	776	493,904	-	-	16,462,222
(223,548)	678,751	228,174	8,683	6,070,375	379,794	39,276,991
\$ 396,131	\$ 716,369	\$ 228,950	\$ 502,587	\$ 6,070,375	\$ 379,794	\$ 55,739,213

Southwestern Community College District

Reconciliation of Combining Balance Sheet to Government-Wide Statement of Net Assets

June 30, 2009

Total Fund Balances reported in the Combining Balance Sheet

\$ 39,276,991

Amounts reported in the Statement of Net Assets 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	116,978,668
Less enterprise funds capital assets	<u>(338,016)</u>
Total capital assets not reported in the funds	<u>116,640,652</u>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Insurance claims payable	(93,191)
Retirement plans payable - due within one year	(160,000)
Retirement plans payable - due in more than one year	(629,797)
Long-term liabilities - due within one year	(2,666,941)
Long-term liabilities - due in more than one year	<u>(86,294,366)</u>
Total long-term liabilities not reported in the funds	<u>(89,844,295)</u>

Student activities are fiduciary activities and therefore are not reported in the Government-Wide Statement of Net Assets.

Associated Student Trust	(678,751)
Academic Affairs	<u>(8,683)</u>
Total fiduciary activities	<u>(687,434)</u>

Net assets

\$ 65,385,914

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Southwestern Community College District

Combining Schedule of Revenues, Expenditures (Expenses) and Changes in Fund Equity (Net Assets) For the year ended June 30, 2009

	General Fund	Prop AA Fund	Student Center	Capital Outlay	Bookstore
OPERATING REVENUES:					
Tuition and fees	\$ 6,622,151	\$ -	\$ -	\$ -	\$ -
Federal grant, non-capital	3,310,271	-	-	-	-
State grant, non-capital	128,257	-	-	662,190	-
Local grant, non-capital	1,980,706	-	-	546,609	-
Auxiliary enterprise sales and charges	-	-	-	-	4,384,337
Other operating revenues	-	16,822	163,311	-	76,176
Total operating revenues	12,041,385	16,822	163,311	1,208,799	4,460,513
OPERATING EXPENDITURES/EXPENSES:					
Salaries	65,533,164	131,221	-	1,879	686,536
Employee benefits	14,078,946	22,288	-	190	154,113
Payments to students	833,826	-	-	-	-
Supplies, materials, and other expenses	10,644,048	273,341	856	245,132	3,524,952
Utilities	2,228,257	-	-	-	2,453
Depreciation	-	-	-	-	56,669
Total operating expenditures/expenses	93,318,241	426,850	856	247,201	4,424,723
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(81,276,856)	(410,028)	162,455	961,598	35,790
NONOPERATING REVENUE/(EXPENSES):					
State apportionments, non-capital	62,891,624	-	-	-	-
Local property taxes, non-capital	19,433,829	-	-	-	-
State taxes and other revenues	-	-	-	-	-
Investment income	379,333	404,963	5,747	31,370	-
Other non-operating revenue	628,907	-	-	-	-
Grants and gifts	9,567	-	-	-	-
Debt service:					
Principal payment	-	-	(70,000)	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	(6,546,769)	(193,117)	(624,567)	-
Total non-operating expenditures/expenses	83,343,260	(6,141,806)	(257,370)	(593,197)	-
NET INCOME/LOSS BEFORE TRANSFERS	2,066,404	(6,551,834)	(94,915)	368,401	35,790
TRANSFERS:					
Transfers in	1,675,000	-	-	-	-
Transfers out	-	-	-	(1,000,000)	(175,000)
Transfers	1,675,000	-	-	(1,000,000)	(175,000)
Net changes in fund balance/net assets	3,741,404	(6,551,834)	(94,915)	(631,599)	(139,210)
FUND EQUITY/NET ASSETS:					
Beginning of year, as restated	9,570,312	20,362,429	308,395	2,737,016	2,832,764
End of year	\$ 13,311,716	\$ 13,810,595	\$ 213,480	\$ 2,105,417	\$ 2,693,554

Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance	Total
\$ -	\$ 398,460	\$ -	\$ -	\$ -	\$ -	\$ 7,020,611
-	-	14,382,202	-	-	-	17,692,473
-	-	1,578,697	-	-	-	2,369,144
-	-	-	-	-	100,000	2,627,315
1,529,494	-	-	-	-	-	5,913,831
93,380	-	-	-	-	-	349,689
1,622,874	398,460	15,960,899	-	-	100,000	35,973,063
717,373	101,514	-	-	-	-	67,171,687
211,037	-	-	-	-	273,350	14,739,924
-	18,000	15,897,511	-	-	-	16,749,337
876,854	261,805	-	10,092	-	3,555	15,840,635
-	-	-	-	-	-	2,230,710
10,616	-	-	-	-	-	67,285
1,815,880	381,319	15,897,511	10,092	-	276,905	116,799,578
(193,006)	17,141	63,388	(10,092)	-	(176,905)	(80,826,515)
-	-	-	-	-	-	62,891,624
-	-	-	-	6,272,884	-	25,706,713
-	-	-	-	65,004	-	65,004
-	-	-	7,145	208,983	8,742	1,046,283
-	-	-	-	-	-	628,907
-	-	-	-	-	-	9,567
-	-	-	-	(2,203,618)	-	(2,273,618)
-	-	-	-	(4,005,595)	-	(4,005,595)
-	-	-	-	-	-	(7,364,453)
-	-	-	7,145	337,658	8,742	76,704,432
(193,006)	17,141	63,388	(2,947)	337,658	(168,163)	(4,122,083)
-	30,000	-	-	-	-	1,705,000
(30,000)	-	-	-	-	(500,000)	(1,705,000)
(30,000)	30,000	-	-	-	(500,000)	-
(223,006)	47,141	63,388	(2,947)	337,658	(668,163)	(4,122,083)
(542)	631,610	164,786	11,630	5,732,717	1,047,957	43,399,074
\$ (223,548)	\$ 678,751	\$ 228,174	\$ 8,683	\$ 6,070,375	\$ 379,794	\$ 39,276,991

Southwestern Community College District

Reconciliation of Combining Schedule of Revenues, Expenditures (Expenses) and Changes in Fund Equity to Government-Wide Statement of Revenues, Expenses and Changes in Net Assets For the year ended June 30, 2009

Revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ (4,122,083)
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Amounts reported in the Statement of Activities were different because:

Governmental funds reported capital outlay as expenditures. Capital outlay expenditures were included in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

7,364,453

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

(106,156)

Disposal of capital assets provided current financial resources to governmental funds, but disposal of capital assets decreased capital assets in the Government-Wide Statement of Net Assets.

(1,347,819)

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation was not reported as an expenditure in governmental funds.

(3,370,004)

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 Assets:

Retirement plan payable	160,152
Insurance claims payable	9,963
Lease revenue bonds	70,000
General Obligation bonds	2,203,618
Total repayment of long-term liabilities	2,443,733

Amortization expense on deferred charges are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.

(295,635)

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

Associated Student Trust	(47,141)
Academic Affairs	2,947
Total fiduciary activities	(44,194)

Change in Net Assets	\$ 1,113,565
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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 the basic financial statements of the Southwestern Community College District (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies and are reported in a separate letter dated December 21, 2009.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carlson

San Diego, California
December 21, 2009



Caporicci & Larson
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL
CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance and Other Matters

We have audited the compliance of the Southwestern Community College District (District) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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

A *control deficiency* in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

This report is intended solely for the information and use of the management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricei & Carson

San Diego, California
December 21, 2009

Southwestern Community College District
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

<u>Federal Agency</u>	<u>Grant Name/Program Name</u>	<u>CFDA No.</u>	<u>Agency or Pass-Through No.</u>	<u>Expenditure</u>
<u>U.S. Department of Education:</u>				
Direct Programs:				
Financial Aid Cluster:				
	PELL	84.063		\$ 13,485,712
	SEOG	84.007		293,330
	Federal Work Study	84.033		388,570
	Sub-total financial aid cluster			<u>14,167,612</u>
	USDE Title III Grant	84.031		230
	VATEA	84.048		751,340
	Business & International Education Program	84.153		750,582
	Tech-Prep Education	84.243		74,957
	Child Care Access	84.335		59,000
Passed through Sweetwater Union High School District:				
	Gear-Up	84.334		283,874
	Total U.S. Department of Education			<u>16,087,595</u>
<u>U.S. Department of Defense:</u>				
Direct Programs:				
	Procurement Technical Assistance for Business Firms - Defense			
	Logistics	12.002		265,931
	National Guard Military Operations & Maintenance Proj.	12.401		54,515
	Total U.S. Department of Defense			<u>320,446</u>
<u>U.S. Department of Housing and Urban Development:</u>				
Direct Programs:				
	Hispanic-Servicing Institutions Assisting Communities	14.514		202,275
	Total U.S. Department of Housing and Urban Development			<u>202,275</u>
<u>U.S. Department of Labor:</u>				
Direct Programs:				
	Job Training Partnership Act	17.250		32
	Total U.S. Department of Labor			<u>32</u>
<u>U.S. Department of Energy:</u>				
Direct Programs:				
	Science and Industry Training	81.116		378,911
	Total U.S. Department of Energy			<u>378,911</u>
<u>Corporation for National & Community Services:</u>				
Direct Programs:				
	AmeriCorps	94.006		65,644
	Total Corporation for National & Community Services			<u>65,644</u>
	Total expenditures of federal awards			<u>\$ 17,054,903</u>

Southwestern Community College District
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

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.

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 modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Southwestern Community College District
Schedule of Findings and Questioned Costs
For the year ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Southwestern Community College District (District).
2. Significant deficiencies relating to the audit of the financial statements are reported in a separate letter dated December 21, 2009.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the financial statements.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the District are reported in Part C of this Schedule.
7. The programs tested as major programs include:

<u>Major Program</u>	<u>Expenditures</u>
Financial Aid Cluster	\$ 14,167,612
Procurement Technical Assistance for Business Firms -	
Defense Logistics	265,931
Gear-Up	283,874
Total Major Program Expenditures	\$ 14,717,417
Total Federal Award Expenditures	\$ 17,054,903
Percent of Total Federal Award Expenditures	86.29%

8. The threshold for distinguishing Types A and B programs was \$511,647.
9. The Southwestern Community College District was determined to be a high risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Certain deficiencies in internal control over financial reporting that are considered to be significant deficiencies were noted and are reported in a separate letter dated December 21, 2009.

C. 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, 2009.

D. 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, 2008.

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STATE COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of the Southwestern Community College District (District) for the year ended June 30, 2009 and have issued our report thereon dated December 21, 2009. Our audit was made in accordance with generally accepted auditing standards in the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we also performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the State Department of Finance's March 1991 (with revisions through July 2003) transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

GENERAL DIRECTIVES

State General Apportionment

The District maintains a separate and complete tabulation for each course section reported for state attendance support.

ADMINISTRATION

Salaries of Classroom Instructors (Fifty Percent Law)

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

GANN Limit Calculation

The District met the requirements of the GANN Amendment which establishes maximum appropriation limits for public agencies.

Residency Determination for Credit Courses

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

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

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

Students Actively Enrolled

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

Concurrent Enrollment of K-12 Students in Community College Credit Courses

The District did not claim FTES for the attendance of K-12 pupils who took courses offered by the District, except as allowed under applicable provisions of the California Education Code and Title 5 of the California Code of Regulations.

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.

Enrollment Fee

The District reported the total amount the students should have paid for enrollment fees for purposes of determining each district's share of apportionments annually.

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.

Student Fees

The District charges mandatory fees based on express statutory authority in accordance with §70902, §76355, and §76365 of the Education Code. During the year 2008-2009, no non-mandatory fees were charged.

STUDENT SERVICES

Uses of Matriculation Funds

The District's expenditures for Matriculation were made in accordance with the Matriculation Plan. Additionally, the District met state matching requirements and has augmented services in existence during the 1986-87 base years.

California Work Opportunity and Responsibility to Kids (CalWORKs)

The District expended CalWORKs Program funds to provide specialized student support services, curriculum development, and instruction to eligible CalWORKs students.

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

EDUCATIONAL SERVICES FACILITIES

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 1995-96 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 fiscal year 2008-09.

Our audit of compliance made for the purposes set forth in the preceding paragraph of this report above would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the state programs listed and tested above, except as noted in the Schedule of Findings and Questioned Costs section of this report. Further, nothing came to our attention as a result of the aforementioned procedures to indicate that the District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

This report is intended solely for the information and use of the District's management, the Board of Trustees, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, the California Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Capricci & Carson

San Diego, California
December 21, 2009

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OTHER SUPPLEMENTARY INFORMATION

Southwestern Community College District
Other Supplementary Information
Purpose of Schedules
For the year ended June 30, 2009

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.

Southwestern Community College District
Schedule of Workload Measures for State General Apportionment
Annual Actual Attendance
June 30, 2009

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2008 only)			
1. Noncredit	19	-	19
2. Credit	297	-	297
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Noncredit	-	-	-
2. Credit	994	-	994
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,325	-	11,325
(b) Daily Census Contact Hours	1,333	-	1,333
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	788	-	788
(b) Credit	642	-	642
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	370	-	370
(b) Daily Census Contact Hours	658	-	658
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	16,426	-	16,426

Supplemental Information (subset of above information)

E. In-Service Training Courses (FTES)	67	-	67
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	32	-	32
(b) Credit	1,853	-	1,853

CCFS-320 Addendum

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, 2009

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	Prop AA Fund	Student Center	Capital Outlay
Fund balance per the CCFS-311 at June 30, 2009	\$ 13,467,393	\$ 13,810,595	\$ 213,481	\$ 2,105,417
Miscellaneous adjustments and reclassifications	(155,677)	-	(1)	-
Net adjustments and reclassifications	(155,677)	-	(1)	-
Fund balance per the audited fund financial statements at June 30, 2009	\$ 13,311,716	\$ 13,810,595	\$ 213,480	\$ 2,105,417

Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance
\$ 2,693,554	\$ (223,548)	\$ 678,751	\$ 228,174	\$ 8,683	\$ 6,070,374	\$ 379,794
-	-	-	-	-	1	-
-	-	-	-	-	1	-
\$ 2,693,554	\$ (223,548)	\$ 678,751	\$ 228,174	\$ 8,683	\$ 6,070,375	\$ 379,794

Southwestern Community College District
Budget Comparison Schedule - General Fund
For the year ended June 30, 2009

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Federal	\$ 5,182,056	\$ 3,310,271	\$ (1,871,785)
State	62,647,709	63,019,881	372,172
Local	30,356,158	29,054,493	(1,301,665)
Total revenues	<u>98,185,923</u>	<u>95,384,645</u>	<u>(2,801,278)</u>
EXPENDITURES:			
Salaries	68,586,954	65,533,164	3,053,790
Employee benefits	14,664,376	14,078,946	585,430
Payments to students	1,176,843	833,826	343,017
Supplies, materials, and other expenses	17,180,669	10,644,048	6,536,621
Utilities	3,096,390	2,228,257	868,133
Total expenditures	<u>104,705,232</u>	<u>93,318,241</u>	<u>11,386,991</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,519,309)</u>	<u>2,066,404</u>	<u>8,585,713</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	3,425,000	1,675,000	(1,750,000)
Transfers out	-	-	-
Total other financing sources (uses)	<u>3,425,000</u>	<u>1,675,000</u>	<u>(1,750,000)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (3,094,309)</u>	<u>3,741,404</u>	<u>\$ 6,835,713</u>
FUND EQUITY:			
Beginning of year, as restated		9,570,312	
End of year		<u>\$ 13,311,716</u>	