

Southwestern Community College District

Chula Vista, California

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

For the Year Ended June 30, 2018



Southwestern Community College District

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
Board of Trustees and Executive Officials	i
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report on Financial Statements	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	5
Basic Financial Statements:	
Statement of Net Position.....	12
Statement of Activities and Changes in Net Position	15
Statement of Cash Flows.....	16
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to the Basic Financial Statements	25
Required Supplementary Information (Unaudited):	
Schedules of Changes in Proportionate Share of the Net Pension Liability:	
California Public Employees' Retirement System (CalPERS).....	63
California State Teachers' Retirement System (CalSTRS)	63
Schedules of Contributions:	
California Public Employees' Retirement System (CalPERS).....	64
California State Teachers' Retirement System (CalSTRS)	64
Schedule of Changes in Net OPEB Liabilities and Related Ratios.....	65
Schedule of Contributions – OPEB	66
Supplementary Information:	
Combining Schedule of Assets, Liabilities, and Fund Balances	70
Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances to Basic Statement of Net Position	73
Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity/Net Position	74
Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity to Basic Statement of Activities and Changes in Net Position.....	77

Southwestern Community College District

Table of Contents (Continued)

	<u>Page</u>
Single Audit:	
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 <i>Government Auditing Standards</i>	81
Independent Auditors' Report on Compliance for each Major Federal Program and on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	83
Schedule of Expenditures of Federal Awards.....	85
Notes to the Schedule of Expenditures of Federal Awards.....	87
Schedule of Findings and Questioned Costs.....	88
State Compliance:	
Independent Auditors' Report on State Compliance Requirements	93
Other Information:	
Purpose of Schedules.....	99
Schedule of Workload Measures for State General Apportionment and Annual Actual Attendance.....	101
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements.....	103
Reconciliation of 50% Calculation with Audited Financial Statements.....	105
Reconciliation of Education Protection Account Expenditures with Audited Financial Statements.....	106
Schedule of Expenditures of State Awards.....	107
Budget Comparison Schedule – General Fund Unrestricted and Restricted.....	108

Southwestern Community College District

Introductory Section

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

The Governing Board of the District for the fiscal year ended June 30, 2018 was composed of the following members:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Griselda Delgado	President	November 2020
Roberto Alcantar	Vice President	November 2020
Tim Nader	Board Member	November 2018
Norma L. Hernandez	Board Member	November 2018
Nora E. Vargas	Board Member	November 2018
Rudolph Villegas	Student Trustee	May 2019

The Executive and Senior Administration of the District for the fiscal year ended June 30, 2018 was composed of the following members:

<u>Member</u>	<u>Office</u>
Dr. Kindred Murillo	Superintendent/President
Timothy Flood	Vice-President for Business & Financial Affairs
Robert Unger	Acting Vice-President, Human Resources
Renee Kilmer	Interim Vice-President for Academic Affairs
Angelica Suarez, Ph.D.	Vice-President for Student Affairs

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary funds of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southwestern College Foundation (the "Foundation"), an aggregate discretely presented component unit of the District. Those financial statements were audited by other auditors, whose report dated August 31, 2018 has been furnished to us, and our opinion on the basic financial statements of the District, insofar as it relates to the Foundation, is based solely on the report of the other auditors.

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

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

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

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Opinions

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary funds, and the aggregate discretely presented component unit of the District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Implementation of GASB Statement No. 75

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net as of July 1, 2017 as described in Note 13 to the financial statements. In addition, the other post employment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$13,475,694 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation to the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and Schedules of Changes in Proportionate Share of the Net Pension Liability – CalSTRS and CalPERS, Schedules of Contributions – CalSTRS and CalPERS, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Contributions – OPEB on pages 5 through 10 and page 61 through 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



San Diego, California
December 23, 2018

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**Southwestern Community College District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018**

This section of the Southwestern Community College District's (the "District") financial statements presents the analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Ending General Fund fund-balance (unrestricted) at June 30, 2018 was \$18.9 million or 19.7% of General Fund unrestricted expenses.
- Funded FTES (full time equivalent students) were 13,317 in Fiscal Year (FY) 2018 and 15,877 in FY 2017.
- In Fiscal Year (FY) 2015-16, the District decided to enter into stabilization for the year, and strategically pushed all of the FTES earned during summer 2016 into Fiscal Year (FY) 2016-17. Stabilization allowed the District to miss its FTES base in 2015-16 without receiving a reduction in funding in the initial year of reduction.
- The District completely restored its FTES base in 2016-17, and achieved growth climbing from 15,410 FTES to 15,877 actual FTES for the FY 2016-17. The District was back in stability again in the 2017-18 fiscal year, having moved all of summer 2017 back into fiscal year 2016-17 to achieve 15,877 FTES.
- Budgeted FTES in FY 2018-19 are back up to 14,500.
- Due primarily to salary savings, lower expenses for supplies and contracts, increases in state and local funding, general unrestricted fund revenue excess for the twelve month period ending June 30, 2018 was \$6,328,620 compared to a FY 2017-18 adopted budgeted deficit of \$1.0 million.
- Bond Proposition R expenses during the year were \$62.0 million with an ending cash balance of \$50.2 million at June 30, 2018.
- Bond Proposition Z expenses during the year were \$715,537 thousand with an ending cash balance of \$139.0 million at June 20, 2018.
- The District implemented in FY 2015 Government Accounting Standards Board statement #68, Accounting and Financial Reporting for Pensions (GASB 68) which requires the District to report and disclose its liability to California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS). As a result, as disclosed in the Notes to these financial statements, and in the Statement of Activities and Changes in Net Position, the District's net asset position increased \$4.2 million to a net deficit of \$10.7 million from a net deficit of \$14.9 million at June 30, 2017.

Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements consist of the following four components:

- Management's Discussion and Analysis;
- Financial statements including the Statement of Net Position, Statement of Activities and Changes in Net Position, Statement of Cash Flows, Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position;
- Notes to the financial statements; and
- Required Supplementary Information.

Additional information presented with the Basic Financial Statements includes:

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

Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector institutions. Net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the financial health of the District. The data allows its readers to determine the assets available to continue the operations of the District. The net position of the District consists of three major categories. The *Net Investment in Capital Assets* category represents the District's equity in property, plant, and equipment net of related debt. *Restricted Net Position* is restricted by use constraints placed on it by outside parties such as agreements, laws, regulations of creditors, other governments or as imposed by laws through constitutional provisions or enabling legislation. *Unrestricted Net Position* is the final category. The District can use unrestricted net position for any lawful purpose. Although unrestricted by third parties, the District's Governing Board may place internal restrictions on this net position, but it retains the power to modify or remove such restrictions.

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

Table 1
Statements of Net Position

	June 30, 2018	June 30, 2017	Changes	
Current assets	\$ 241,092,454	\$ 155,322,501	\$ 85,769,953	55.2%
Noncurrent assets	367,561,441	299,170,220	68,391,221	22.9%
Total assets	608,653,895	454,492,721	154,161,174	33.9%
Deferred outflows of resources	36,451,626	22,654,287	13,797,339	60.9%
Current liabilities	45,591,551	39,556,961	6,034,590	15.3%
Long-term liabilities	598,161,827	443,941,496	154,220,331	34.7%
Total liabilities	643,753,378	483,498,457	160,254,921	33.1%
Deferred inflows of resources	12,050,835	13,763,890	(1,713,055)	-12.4%
Net position:				
Net investment in capital assets	48,471,163	52,564,980	(4,093,817)	-7.8%
Restricted	36,033,715	22,827,858	13,205,857	57.8%
Unrestricted	(95,203,570)	(90,271,831)	(4,931,739)	5.5%
Total net position	\$ (10,698,692)	\$ (14,878,993)	\$ 4,180,301	-28.1%

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

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

Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

Table 2
Changes in Net Position

	June 30, 2018	June 30, 2017	Change	
Operating revenues	\$ 24,432,915	\$ 25,081,842	\$ (648,927)	-2.6%
Operating expenses	(165,135,109)	(167,821,083)	2,685,974	-1.6%
Deficit before depreciation and Nonoperating income and expenses	(140,702,194)	(142,739,241)	2,037,047	-1.4%
Depreciation	(7,694,139)	(7,652,674)	(41,465)	0.5%
Non-operating income and expenses, net	158,078,909	146,680,775	11,398,134	7.8%
Increase (decrease) in net position	<u>\$ 9,682,576</u>	<u>\$ (3,711,140)</u>	<u>\$ 13,393,716</u>	<u>-360.9%</u>

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

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

Table 3
Statement of Cash Flows

	June 30, 2018	June 30, 2017
Cash provided by (used in):		
Operating activities	\$ (133,261,992)	\$ (134,921,670)
Non-capital financing activities	169,977,233	155,089,879
Capital and related financing activities	60,723,440	(88,007,181)
Investing activities	1,543,912	2,004,503
Net change in cash and cash equivalents	<u>98,982,593</u>	<u>(65,834,469)</u>
Cash balance, beginning of year	<u>172,719,355</u>	<u>238,553,824</u>
Cash balance, end of year	<u>\$ 271,701,948</u>	<u>\$ 172,719,355</u>

Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

CAPITAL ASSETS

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2018. These changes are presented in detail in Note 4 to the financial statements.

Table 4
Capital Assets Net of Accumulated Depreciation

	June 30, 2018	June 30, 2017	Change	
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Buildings	121,373,652	124,901,380	(3,527,728)	-2.8%
Improvements	40,033,731	42,845,874	(2,812,143)	-6.6%
Equipment	2,210,634	1,851,772	358,862	19.4%
Construction in progress	158,206,561	97,040,188	61,166,373	63.0%
Net capital assets	<u>\$ 331,527,726</u>	<u>\$ 276,342,362</u>	<u>\$ 55,185,364</u>	<u>20.0%</u>

LONG TERM DEBT

The following table summarizes the District's long term debt and changes therein for the year ended June 30, 2018. Changes in long term debt are presented in detail in Note 6 to the financial statements.

Table 5
Summary of Long-Term Debt

	June 30, 2018	June 30, 2017	Change	
Bonds Payable:				
Lease Revenue	\$ 795,000	\$ 890,000	\$ (95,000)	-10.7%
GO Bond, Series 2004	12,993,974	12,993,974	-	0.0%
GO Bond, Series 2005 Refunding Series I	465,000	6,395,000	(5,930,000)	-92.7%
Prop R - Series C	65,835,370	66,095,370	(260,000)	-0.4%
Prop R - Series D	116,119,325	119,229,325	(3,110,000)	-2.6%
GO Bond, Series 2015, Refunding	23,080,000	24,930,000	(1,850,000)	-7.4%
GO Bond 2016, Refunding Series A	3,400,000	3,400,000	-	100.0%
GO Bond 2016, Refunding Series B	84,335,000	84,335,000	-	100.0%
GO Bond 2016, Series A	140,000,000	-	140,000,000	100.0%
Unamortized premiums	34,198,781	26,090,144	8,108,637	31.1%
	<u>\$ 481,222,450</u>	<u>\$ 344,358,813</u>	<u>\$ 136,863,637</u>	<u>39.7%</u>

**Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018**

ECONOMIC FACTORS AND 2018-19 BUDGET

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

The District's FY 2018-2019 Adopted Budget (General Fund-Unrestricted) includes revenue and expense projections based on the best information available to date and is not based on the budgetary basis of accounting. The adopted budget also includes sufficient reserves for the District's stability and security, including a Governing Board reserve of 7%.

The District's unrestricted general fund revenue budget for FY 2018-2019 is \$100.7 million consisting of California State principal apportionment (including faculty hiring allocation and Proposition 30 Educational Protection Act) of \$61.8 million, property taxes of \$28.2 million, enrollment fees of \$4.4 million, and \$6.2 million in other revenue including lottery proceeds of \$2.2 million and non-resident tuition of \$1.2 million and other miscellaneous revenues of \$2.8 million. Unrestricted budgeted expenses of \$101.7 million exceed budgeted revenue by \$1.0 million. The Governing Board has approved the budget with this excess of expenses over revenue as a contingency for unforeseen expenses and the contingency will not be utilized for normal operations which will result in a balanced budget with no structural deficit.

The District's FY 2018-2019 General Fund unrestricted budgeted expenses of \$101.7 million are greater in comparison to FY 2017-2018 budgeted expenses of \$95.8 million resulting from additional revenue greater than \$5.0 million. Proposition R Bond funds that are separate from the General Fund have an expense budget of \$ 37.1 million. Proposition Z Bond funds have an expense budget of \$44.0 million including projects for the performing arts center and the central plan expansion project.

The total District-wide expense budget for all funds in FY 2018-2019 is \$219 million.

	FY 18-19 Budget
General Fund Revenue Summary	127,820,962
Enterprise Funds Summary	5,071,154
Proposition Z Bond Funds	43,983,000
Proposition R Bond Funds	37,140,525
Capital Outlay Funds Summary	4,303,029
Associated Students Organization Funds	480,000
Student Center Funds	174,568
	218,973,238

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Southwestern Community College District
Statement of Net Position
June 30, 2018

	Primary Government District	Component Unit Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,133,587	\$ 105,328
Investments	27,119	981,209
Accounts receivable, net	4,076,973	3,194
Inventories	1,180,969	-
Prepaid items	52,219	10,000
Due from fiduciary funds	86,941	-
Restricted cash and cash equivalents	195,534,646	244,247
Total current assets	241,092,454	1,343,978
Noncurrent assets:		
Restricted cash and cash equivalents	36,033,715	-
Capital assets, net	331,527,726	-
Total noncurrent assets	367,561,441	-
Total assets	608,653,895	1,343,978
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows	32,665,876	-
Deferred loss on refunding	3,785,750	-
Total deferred outflows of resources	36,451,626	-

Southwestern Community College District
Statement of Net Position (Continued)
June 30, 2018

	Primary Government District	Component Unit Foundation
LIABILITIES		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	9,666,055	43
Interest payable	6,179,959	-
Payroll and related liabilities	5,112,281	-
Unearned revenue	7,948,256	2,500
Compensated absences - due within one year	1,500,000	-
Bonds payable - due within one year	15,185,000	-
Total current liabilities	<u>45,591,551</u>	<u>2,543</u>
Noncurrent liabilities:		
Compensated absences - due in more than one year	1,875,374	-
Aggregate net pension liability - due in more than one year	116,413,690	-
Net OPEB liability - due in more than one year	13,835,313	-
Bonds payable - due in more than one year	466,037,450	-
Total noncurrent liabilities	<u>598,161,827</u>	<u>-</u>
Total liabilities	<u>643,753,378</u>	<u>2,543</u>
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows	10,896,326	-
Deferred gain on refunding	1,154,509	-
Total deferred inflows of resources	<u>12,050,835</u>	<u>-</u>
Net Position:		
Net investment in capital assets	48,471,163	-
Restricted for:		
Special projects	-	1,056,634
Debt service	36,033,715	-
Total restricted	<u>36,033,715</u>	<u>1,056,634</u>
Unrestricted (deficit)	(95,203,570)	284,801
Total net position	<u>\$ (10,698,692)</u>	<u>\$ 1,341,435</u>

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**Southwestern Community College District
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2018**

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
OPERATING REVENUES:		
Tuition and fees	\$ 7,493,725	\$ -
Grants and contracts, non-capital:		
Federal	5,735,478	-
State	4,828,378	-
Local	1,561,705	-
Total grants and contracts, non-capital	12,125,561	-
Auxiliary enterprise sales and charges, net	4,683,446	-
Other operating revenues	130,183	914,401
Total operating revenues	<u>24,432,915</u>	<u>914,401</u>
OPERATING EXPENSES:		
Salaries	83,489,368	-
Employee benefits	25,018,115	-
Payments to students	34,246,148	451,722
Supplies, materials, and other expenses	18,284,977	367,258
Utilities	4,096,501	-
Depreciation	7,694,139	-
Total operating expenses	<u>172,829,248</u>	<u>818,980</u>
Operating income (loss)	<u>(148,396,333)</u>	<u>95,421</u>
NONOPERATING REVENUE (EXPENSES):		
Federal grants, non-capital	26,225,989	-
State apportionments, non-capital	85,858,951	-
Local property taxes, non-capital	53,182,207	-
Investment income	1,544,235	64,217
Interest expense	(14,571,859)	-
Other nonoperating revenues (expenses)	5,839,386	-
Total nonoperating revenues (expenses), net	<u>158,078,909</u>	<u>64,217</u>
Changes in net position	9,682,576	159,638
NET POSITION (DEFICIT):		
Beginning of year, as restated (Note 13)	(20,381,268)	1,181,797
End of year	<u>\$ (10,698,692)</u>	<u>\$ 1,341,435</u>

Southwestern Community College District
Statement of Cash Flows
For the Year Ended June 30, 2018

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 9,209,096	\$ -
Grants and contracts	12,125,561	-
Payments for supplies and services	(120,999,614)	(373,625)
Payments for utilities	(4,096,501)	-
Payments to students	(34,246,148)	(451,722)
Auxiliary enterprise sales and charges	4,683,446	-
Other operating revenues and expenses	<u>62,168</u>	<u>896,966</u>
Net cash provided by (used in) operating activities	<u>(133,261,992)</u>	<u>71,619</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Federal Pell grants	26,225,989	-
State apportionments	85,858,951	-
Local property taxes	53,182,207	-
Payment on amount due to County	(1,129,300)	-
Other	<u>5,839,386</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>169,977,233</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition of capital assets	(62,879,503)	-
Proceeds from bond issuance	150,216,377	-
Costs of bond issuance	(733,325)	-
Principal paid on bonds	(11,245,000)	-
Payment of interest and fees	<u>(14,635,109)</u>	<u>-</u>
Net cash (used in) capital financing activities	<u>60,723,440</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(323)	(21,590)
Interest and investment proceeds	<u>1,544,235</u>	<u>10,924</u>
Cash provided by (used in) investing activities	<u>1,543,912</u>	<u>(10,666)</u>
Net increase (decrease) in cash and equivalents	98,982,593	60,953
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>172,719,355</u>	<u>288,622</u>
End of year	<u>\$ 271,701,948</u>	<u>\$ 349,575</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Cash and cash equivalents	\$ 40,133,587	\$ 105,328
Restricted cash and investments	<u>231,568,361</u>	<u>244,247</u>
Total cash and cash equivalents	<u>\$ 271,701,948</u>	<u>\$ 349,575</u>

Southwestern Community College District
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (148,396,333)	\$ 95,421
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	7,694,139	-
Change in assets and liabilities:		
Receivables	32,537	3,874
Inventories	55,696	-
Prepaid items	(13,112)	(10,000)
Due from fiduciary funds	(68,015)	-
Pension-related deferred outflows	(13,969,145)	-
OPEB-related deferred outflows	1,180,577	-
Accounts payable and accrued liabilities	(1,092,890)	(241)
Payroll and related liabilities	1,328,798	-
Unearned revenue	1,682,834	(17,435)
Aggregate net pension liability	14,237,684	-
Net OPEB liability	359,619	-
Pension related deferred inflows	3,689,080	-
Compensated absences	16,539	-
Net cash provided by (used in) operating activities	<u><u>\$ (133,261,992)</u></u>	<u><u>\$ 71,619</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash Capital and Related Financing Activities:		
Amortization of deferred gain on bond refunding	\$ 165,789	\$ -
Amortization of deferred loss on bond refunding	(171,806)	-
Amortization of bond premiums	(2,107,740)	-
Total noncash capital and related financing activities	<u><u>\$ (2,113,757)</u></u>	<u><u>\$ -</u></u>

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FUNDS OF THE DISTRICT

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

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

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Southwestern Community College District
Statement of Fiduciary Net Position
June 30, 2018

	Associated Student Trusts	Student Service Trust Funds	Total
Assets:			
Cash and investments	\$ 685,839	\$ 1,164,071	\$ 1,849,910
Accounts receivable	-	2,916	2,916
Other assets	55,318	-	55,318
Total assets	<u>741,157</u>	<u>1,166,987</u>	<u>1,908,144</u>
Liabilities:			
Accounts payable and accrued liabilities	2,352	1,113,177	1,115,529
Due to District	57,143	29,798	86,941
Unearned revenue	19,631	-	19,631
Deposits payable	102,586	-	102,586
Total liabilities	<u>181,712</u>	<u>1,142,975</u>	<u>1,324,687</u>
Net Position:			
Unrestricted	559,445	24,012	583,457
Total net position	<u>\$ 559,445</u>	<u>\$ 24,012</u>	<u>\$ 583,457</u>

Southwestern Community College District
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	Associated Student Trusts	Student Service Trust Funds	Total
ADDITIONS			
Student fees	\$ 294,019	\$ -	\$ 294,019
Interest and investment income	-	5,458	5,458
Other revenues	2,385	-	2,385
Total additions	296,404	5,458	301,862
DEDUCTIONS			
Salaries and benefits	113,578	-	113,578
Payments to students	47,000	-	47,000
Supplies, materials, and other expenses	213,632	5,914	219,546
Total deductions	374,210	5,914	380,124
Changes in net position	(77,806)	(456)	(78,262)
NET POSITION:			
Beginning of year	637,251	24,468	661,719
End of year	\$ 559,445	\$ 24,012	\$ 583,457

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Southwestern Community College District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and any other organization for which the nature and significance of their relationship with the District is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2018:

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

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

The Southwestern College Foundation

The Southwestern College Foundation (Foundation) is a California not-for-profit public benefit corporation organized and incorporated in 1982. The Foundation was established for the purpose of receiving and distributing contributed funds to promote the general welfare of the Southwestern Community College District. Financial statements can be obtained at 900 Otay Lakes Road, Chula Vista, CA 91910.

B. Basis of Accounting and Measurement Focus

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

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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

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

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

C. Cash, Cash Equivalents, and Investments

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

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

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

- Interest rate risk
- Credit risk
 - ◆ overall
 - ◆ custodial credit risk
 - ◆ concentration of credit risk
- Foreign currency risk

D. Restricted Cash, Cash Equivalents and Investments

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

E. Fair Value Measurement

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

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Accounts Receivable

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

G. Inventories

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The cost is expensed at the time individual inventory items are withdrawn from the stores inventory for consumption.

H. Bond Discounts, Premiums, and Refunding Losses

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

I. Compensated Absences

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

J. Capital Assets

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

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

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Net Position

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

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

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

L. Unearned Revenue

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

M. Pensions

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017

<u>CalSTRS</u>	
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Other Post Employment Benefits

For purposes of measuring the Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7).

The following timeframes are used for pension reporting:

<u>OPEB</u>	
Valuation date	June 30, 2017
Measurement date	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017

O. 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.

P. On-Behalf Payments

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

The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System (STRS) on behalf of all community college districts in California. The District recorded \$2,907,777 of revenues and expenditures for on-behalf payments in 2018.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Classification of Revenues

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

Revenues are classified according to the following criteria:

Operating Revenues

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

Non-operating Revenues

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

R. Scholarship Discounts and Allowances

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

S. Use of Estimates

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

T. Accounting Changes

Implementation of New GASB Pronouncements for the Year Ended June 30, 2018

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the District, for the year ended June 30, 2018. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

T. Accounting Changes (Continued)

Implementation of New GASB Pronouncements for the Year Ended June 30, 2018 (Continued)

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. The District has implemented GASB No. 75 which is reflected on the accompanying District's financial statements.

GASB Statement No. 81

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This pronouncement did not have a material effect on the financial statements of the District.

GASB Statement No. 82

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). This pronouncement did not have a material effect on the financial statements of the District.

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This pronouncement did not have a material effect on the financial statements of the District.

GASB Statement No. 86

In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This pronouncement did not have a material effect on the financial statements of the District.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments

The following is a summary of cash and investments at June 30, 2018:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents	\$ 40,133,587	\$ 1,849,910	\$ 105,328	\$ 42,088,825
Restricted cash and cash equivalents	231,568,361	-	244,247	231,812,608
Total cash and cash equivalents	271,701,948	1,849,910	349,575	273,901,433
Investments	27,119	-	981,209	1,008,328
Total investments	27,119	-	981,209	1,008,328
Total cash and investments	\$ 271,729,067	\$ 1,849,910	\$ 1,330,784	\$ 274,909,761

Cash, cash equivalents, and investments consisted of the following at June 30, 2018:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents:				
Cash on hand	\$ 78,109	\$ 2,950	\$ -	\$ 81,059
Cash in bank accounts	3,777,298	1,846,960	349,575	5,973,833
Cash in County treasury	267,846,541	-	-	267,846,541
Total cash and cash equivalents	271,701,948	1,849,910	349,575	273,901,433
Investments:				
Fixed income	-	-	265,709	265,709
Certificates of deposit	27,119	-	-	27,119
Equity securities	-	-	480,746	480,746
Mutual funds	-	-	234,754	234,754
Total investments	27,119	-	981,209	1,008,328
Total cash and investments	\$ 271,729,067	\$ 1,849,910	\$ 1,330,784	\$ 274,909,761

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)

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

San Diego County Investment Pool (Continued)

- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Medium-term notes (remaining maturity of five years or less; rated “A” or better)
- Repurchase agreements or reverse repurchase agreements
- Mortgage pass-through securities

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

At June 30, 2018, the District had \$267,846,541 invested in the San Diego County Investment Pool.

Restricted Cash and Investments

As of June 30, 2018, the District and Foundation had restricted cash and investments totaling \$231,568,361 and \$244,237, respectively. This amount is restricted to be used for acquisition, construction, renovation, repair, and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District.

Fair Value Measurement

As of June 30, 2018, the District’s investments had the following recurring fair value measurements:

Investments measured by fair value level:	June 30, 2018	Level 1	Level 2	Level 3
Fixed income	\$ 265,709	\$ 265,709	\$ -	\$ -
Mutual funds	234,754	234,754	-	-
Equities	480,746	480,746	-	-
Total investments by fair value level	\$ 981,209	\$ 981,209	\$ -	\$ -
Investments not subject to the fair value hierarchy:				
Certificates of deposit	\$ 27,119			
Total investments not subject to the fair value hierarchy	27,119			
Total investments	\$ 1,008,328			

Disclosures Relating to Interest Rate Risk

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

	Business-Type		Moody's	Standard & Poor's
	Activities	Foundation		
	Fair Value	Fair Value		
Mutual funds	\$ -	\$ 234,754	A2	A
Fixed income	-	265,709	A2	A
Equities	-	480,746	Not Rated	Not Rated
Certificates of deposit	27,119	-	Not Rated	Not Rated
	<u>\$ 27,119</u>	<u>\$ 981,209</u>		

Disclosures Relating to Concentration of Credit Risk

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

Disclosures Relating to Custodial Credit Risk

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Accounts Receivable

The following is a summary of receivables at June 30, 2018:

	Business-type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Grants:				
Federal	\$ 1,430,790	\$ -	\$ -	\$ 1,430,790
State	787,663	-	-	787,663
Local	241,337	-	-	241,337
Total grants	<u>2,459,790</u>	<u>-</u>	<u>-</u>	<u>2,459,790</u>
Other	1,617,183	2,916	3,194	1,623,293
Total	<u>\$ 4,076,973</u>	<u>\$ 2,916</u>	<u>\$ 3,194</u>	<u>\$ 4,083,083</u>

Note 4 – Capital Assets

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable:				
Land	\$ 9,703,148	\$ -	\$ -	\$ 9,703,148
Construction in progress	97,040,188	61,166,373	-	158,206,561
Total nondepreciable	<u>106,743,336</u>	<u>61,166,373</u>	<u>-</u>	<u>167,909,709</u>
Depreciable:				
Site improvements	63,235,013	770,130	-	64,005,143
Buildings	164,281,769	-	-	164,281,769
Equipment	7,275,769	943,000	(115,086)	8,103,683
Total depreciable, at cost	<u>234,792,551</u>	<u>1,713,130</u>	<u>(115,086)</u>	<u>236,390,595</u>
Less accumulated depreciation:				
Site improvements	(20,389,139)	(3,582,273)	-	(23,971,412)
Buildings	(39,380,389)	(3,527,728)	-	(42,908,117)
Equipment	(5,423,997)	(584,138)	115,086	(5,893,049)
Total accumulated depreciation	<u>(65,193,525)</u>	<u>(7,694,139)</u>	<u>115,086</u>	<u>(72,772,578)</u>
Total depreciable, net	<u>169,599,026</u>	<u>(5,981,009)</u>	<u>-</u>	<u>163,618,017</u>
Total capital assets, net	<u>\$ 276,342,362</u>	<u>\$ 55,185,364</u>	<u>\$ -</u>	<u>\$ 331,527,726</u>

Depreciation expense for capital assets for the year ended June 30, 2018 was \$7,694,139.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Unearned Revenue

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

	Business-Type Activities	Fiduciary		Total
		Fund Financial Statements	Foundation	
Federal sources	\$ 43,152	\$ -	\$ -	\$ 43,152
State sources	4,829,385	-	-	4,829,385
Enrollment fees	812,915	-	-	812,915
Other local sources	2,262,804	19,631	2,500	2,284,935
	<u>\$ 7,948,256</u>	<u>\$ 19,631</u>	<u>\$ 2,500</u>	<u>\$ 7,970,387</u>

Note 6 – Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year	Due In More Than One Year
Bonds payable:						
Lease Revenue Bonds	\$ 890,000	\$ -	\$ (95,000)	\$ 795,000	\$ 100,000	\$ 695,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2005, Refunding Series B	6,395,000	-	(5,930,000)	465,000	465,000	-
GO Bond 2008, Series C	66,095,370	-	(260,000)	65,835,370	345,000	65,490,370
GO Bond 2008, Series D	119,229,325	-	(3,110,000)	116,119,325	135,000	115,984,325
GO Bond 2015, Refunding	24,930,000	-	(1,850,000)	23,080,000	2,040,000	21,040,000
GO Bond 2016, Refunding Series A	3,400,000	-	-	3,400,000	-	3,400,000
GO Bond 2016, Refunding Series B	84,335,000	-	-	84,335,000	-	84,335,000
GO Bond 2016, Series A	-	140,000,000	-	140,000,000	12,100,000	127,900,000
Unamortized premiums	26,090,144	10,216,377	(2,107,740)	34,198,781	-	34,198,781
Total bonds payable	<u>344,358,813</u>	<u>150,216,377</u>	<u>(13,352,740)</u>	<u>481,222,450</u>	<u>15,185,000</u>	<u>466,037,450</u>
Payable to County	1,129,300	-	(1,129,300)	-	-	-
Compensated absences	3,358,835	2,806,324	(2,789,785)	3,375,374	1,500,000	1,875,374
Total	<u>\$ 348,846,948</u>	<u>\$ 153,022,701</u>	<u>\$ (17,271,825)</u>	<u>\$ 484,597,824</u>	<u>\$ 16,685,000</u>	<u>\$ 467,912,824</u>

Lease Revenue Bonds

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

Lease Revenue Bonds (Continued)

The District pledged all lease revenue to repay the outstanding principal and interest of the Lease Revenue Bonds. Total principal and interest remaining on the bonds at June 30, 2018 is \$897,972 payable through 2024.

The annual requirements for debt service outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 100,000	\$ 26,644	\$ 126,644
2020	100,000	23,644	123,644
2021	105,000	20,044	125,044
2022	115,000	15,931	130,931
2023	115,000	11,834	126,834
2024	260,000	4,875	264,875
Total	\$ 795,000	\$ 102,972	\$ 897,972

General Obligation Bonds – 2004

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

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

The annual requirements for debt service outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	8,619,515	21,606,855	30,226,370
2029-2030	4,374,459	7,834,171	12,208,630
Total	\$ 12,993,974	\$ 29,441,026	\$ 42,435,000

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

General Obligation Bonds – 2005 Refunding Series B

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

The bonds are solely payable from *ad valorem* property taxes levied. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District pledged *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds – 2005 Refunding Series B. Total principal and interest remaining on the bonds is \$477,206, payable through fiscal year 2019.

The annual requirements for debt service outstanding at June 30, 2018 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 465,000	\$ 12,206	\$ 477,206
Total	\$ 465,000	\$ 12,206	\$ 477,206

General Obligation Bonds – 2008, Series C and D

On October 22, 2009, as authorized by the registered voters of the Southwestern Community College District in the election of November 4, 2008, the District issued \$10,225,000 of Election of 2008 General Obligation Bonds, Series A, and \$89,775,000 of Election of 2008 General Obligation Bonds, Series B bonds. The Series A bonds are tax exempt. The Series B bonds were issued as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series B bonds on or about each interest payment date. The cash payment does not constitute the full faith and credit of the United States, but is required to be paid by the Treasury under the Recovery Act. Interest is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010 at 5.5%. The bonds are being issued to finance the repair, construction, acquisition and equipping of certain District sites and facilities and to pay costs of issuance with the bonds. The bonds were issued at a premium of \$1,212,387. In fiscal year 2018, both the Election of 2008 General Obligation Bonds, Series A and Series B were refunded via issuance of the General Obligation Refunding Bonds, Series A and Series B. At June 30, 2018, the outstanding balances of the refunded issuances remaining to be paid through a non-revocable trust were \$5,635,000 and \$89,775,000 for the Election of 2008 General Obligation Bonds, Series A and Series B, respectively. The District’s liability was \$0 for both at June 30, 2018.

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

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

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

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

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

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

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

The bonds are solely payable from ad valorem property taxes levied. The District pledged all ad valorem property tax levied and collected to repay the outstanding principal and interest of the 2008 General Obligation Bonds Series D.

The annual requirements for debt service outstanding at June 30, 2018 are as follows:

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
2019	\$ 345,000	\$ 2,805,763	\$ 3,150,763
2020	440,000	2,787,863	3,227,863
2021	545,000	2,763,238	3,308,238
2022	655,000	2,733,238	3,388,238
2023	775,000	2,697,488	3,472,488
2024-2028	5,930,000	12,722,813	18,652,813
2029-2033	10,300,000	10,711,250	21,011,250
2034-2038	16,360,000	7,279,694	23,639,694
2039-2043	24,257,746	33,641,065	57,898,811
2044-2047	6,227,624	61,116,544	67,344,168
Total	\$ 65,835,370	\$ 139,258,956	\$ 205,094,326

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

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

Year Ending June 30,	SERIES D		
	Principal	Interest	Total
2019	\$ 135,000	\$ 3,695,025	\$ 3,830,025
2020	-	3,693,000	3,693,000
2021	276,219	3,726,780	4,002,999
2022	547,488	3,785,512	4,333,000
2023	812,378	3,875,622	4,688,000
2024-2028	7,518,081	21,956,918	29,474,999
2029-2033	11,695,112	30,024,886	41,719,998
2034-2038	14,763,963	42,802,032	57,565,995
2039-2043	45,741,084	30,016,419	75,757,503
2044-2046	34,630,000	1,777,250	36,407,250
Total	\$ 116,119,325	\$ 145,353,444	\$ 261,472,769

General Obligation Refunding Bonds – 2015

In August 2014, the District authorized the sale and issuance of 2015 General Obligation Refunding Bonds, in the amount of \$27,045,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's 2005 General Obligation Bonds, Election of 2000, Series 2005. Interest is payable February 1 and August 1, commencing August 1, 2015 at 5.0%. Principal is payable August 1, commencing August 1, 2015 and through the maturity date February 1, 2026. The bonds were issued at a premium of \$4,030,391 and the refunding transaction resulted in a deferred loss on refunding of \$1,823,862 to be amortized through the remaining life of the new bonds. The aggregate debt service payments of the new debt are \$3,698,626 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt service payments) of approximately \$3,247,455. Total principal and interest remaining on the bonds as of June 30, 2018 is \$28,236,800.

The annual requirements for debt service outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,040,000	\$ 1,092,800	\$ 3,132,800
2020	2,230,000	996,250	3,226,250
2021	2,460,000	879,000	3,339,000
2022	2,710,000	749,750	3,459,750
2023	2,970,000	607,750	3,577,750
2024-2026	10,670,000	831,250	11,501,250
Total	\$ 23,080,000	\$ 5,156,800	\$ 28,236,800

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

General Obligation Refunding Bonds – 2016 Series A and B

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

The bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District has pledged *ad valorem* property tax levied and collected to pay repay the outstanding principal and interest of the bonds. Total principal and interest remaining on the bonds as of June 30, 2018 is \$3,684,700 and \$135,396,850 for Series A and Series B, respectively.

The annual requirements for debt service outstanding at June 30, 2018 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2019	\$ -	\$ 102,000	\$ 102,000
2020	-	102,000	102,000
2021	1,600,000	78,000	1,678,000
2022	1,800,000	2,700	1,802,700
Total	\$ 3,400,000	\$ 284,700	\$ 3,684,700

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
2019	\$ -	\$ 3,391,100	\$ 3,391,100
2020	-	3,391,100	3,391,100
2021	-	3,391,100	3,391,100
2022	-	3,391,100	3,391,100
2023	1,905,000	3,353,000	5,258,000
2024-2028	13,370,000	15,330,125	28,700,125
2029-2033	21,490,000	11,611,125	33,101,125
2034-2038	31,490,000	6,549,200	38,039,200
2039-2040	16,080,000	654,000	16,734,000
Total	\$ 84,335,000	\$ 51,061,850	\$ 135,396,850

At June 30, 2018, the refunded 2008 General Obligation Bonds, Series A and Series B had remaining balances to be paid through escrow of \$6,530,000 and \$89,775,000, respectively. The District has no liability for them.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

General Obligation Bonds – 2016 Series A

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

The bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District has pledged *ad valorem* property tax levied and collected to pay repay the outstanding principal and interest of the bonds. Total principal and interest remaining on the bonds as of June 30, 2018 is \$234,632,842.

The annual requirements for debt service outstanding at June 30, 2018 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2019	\$ 12,100,000	\$ 4,374,867	\$ 16,474,867
2020	13,350,000	4,828,543	18,178,543
2021	10,790,000	4,345,743	15,135,743
2022	-	4,129,943	4,129,943
2023	-	4,129,943	4,129,943
2024-2028	2,735,000	20,435,215	23,170,215
2029-2033	9,000,000	19,066,965	28,066,965
2034-2038	17,605,000	16,458,265	34,063,265
2039-2043	29,235,000	12,046,858	41,281,858
2044-2048	45,185,000	4,816,500	50,001,500
Total	\$ 140,000,000	\$ 94,632,842	\$ 234,632,842

Payable to County

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

Compensated Absences

The District’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$3,375,374 at June 30, 2018.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Notes 7 – Other Post Employment Benefits

Plan Description

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

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

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

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

Employees Covered by Benefit Term

	<u>OPEB</u>
Inactive employees entitled to but not yet receiving benefits	268
Active Employees	677
	<u>945</u>

Contributions

Through June 30, 2013, the District had contributed \$3.2 million to an irrevocable trust with the Community College League of California – Joint Powers Authority (CCLC-JPA). The District contributed \$634,082 during fiscal year 2018. At June 30, 2018, the market value of the irrevocable trust was \$4,521,961.

The obligation of the District to contribute to the plan is established and may be amended by the Board of Directors. The Board of Directors has established a policy of funding the actuarially determined contribution (ADC) on a pay as you go basis. For the fiscal year ended June 30, 2018, the City’s average contribution rate was 0.33 % of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2017, and the actuarial valuation used to calculate the net OPEB liability was as of June 30, 2017.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Notes 7 – Other Post Employment Benefits (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions Used to Determine the Total Pension Liability

The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Expected Net Long-Term Rate of Return on Investments	6.50%
Mortality Rate Table	2009 CalSTRS Mortality for Certificated Employees 2014 CalPERS Active Mortality for miscellaneous Employees
Salary Increases	2.75%
Medical Trend	4.00%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
US Large Cap	60%	7.80%	5.71%
US Small Cap	15%	7.80%	2.43%
Long-Term Corporate Bonds	20%	5.30%	3.36%
Short-Term Government Fixed	2%	3.25%	6.95%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Town plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Notes 7 – Other Post Employment Benefits (Continued)

Net OPEB Liability (Continued)

Changes in Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2016	\$ 17,016,394	\$ 3,540,700	\$ 13,475,694
Changes in the year:			
Service costs	781,846	-	781,846
Interest on the total pension liability	1,103,513	-	1,103,513
Changes of benefit terms	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Differences between actual and expected experience	-	-	-
Change in assumptions	-	-	-
Contributions - employer	-	1,180,577	(1,180,577)
Contribution - employer (paid by employer)	-	-	-
Net investment income	-	345,663	(345,663)
Administrative expenses	-	(500)	500
Benefit Payments, including refunds of employee contributions	(838,883)	(838,883)	-
Net changes	<u>1,046,476</u>	<u>686,857</u>	<u>359,619</u>
Balance at June 30, 2017	<u>\$ 18,062,870</u>	<u>\$ 4,227,557</u>	<u>\$ 13,835,313</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the plan as of the measurement date, calculated using the discount rate of 6.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

<u>Plan's Net OPEB Liability</u>		
<u>Discount Rate - 1%</u> <u>(5.50%)</u>	<u>Current Discount</u> <u>Rate (6.50%)</u>	<u>Discount Rate + 1%</u> <u>(7.50%)</u>
\$ 15,856,699	\$ 13,835,313	\$ 12,127,854

Sensitivity of the Net OPEB Liability to Changes in the Healthcare cost Trend Rates

The following presents the net OPEB liability of the plan as of the measurement date, calculated using healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculate using a trend that are one percentage point lower or one percentage higher than the current healthcare cost trend rates:

<u>Plan's Net OPEB Liability</u>		
<u>Discount Rate - 1%</u> <u>(5.00%)</u>	<u>Healthcare Cost Trend Rates</u> <u>Current Trend (4.00%)</u>	<u>Discount Rate + 1%</u> <u>(6.00%)</u>
\$ 12,375,222	\$ 13,835,313	\$ 15,496,673

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Notes 7 – Other Post Employment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the City recognized OPEB expense of \$1,540,196. The actuary applied paragraph 249 of GASB Statement No. 75 and elected not to report any deferred outflows or deferred inflows of resources to OPEB during this transitional (implementation) period. Therefore, at June 30, 2018, the District did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

Note 8 – Pension Plans

A. Summary

Net Pension Liability

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

	Net Pension Liability
CalPERS Pension Plan	\$ 47,979,230
CalSTRS Pension Plan	68,434,460
Total	\$ 116,413,690

Deferred Outflows of Resources

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

	Deferred Outflows of Resources		
	CalPERS	CalSTRS	Total
Pension contribution made after measurement date	\$ 4,055,088	\$ 6,055,739	\$ 10,110,827
Difference between expected and actual experience	1,718,898	-	1,718,898
Changes in assumptions	6,443,225	12,678,420	19,121,645
Difference between projected and actual earnings on pension plan investments	1,659,753	-	1,659,753
Difference between employer contribution and proportionate share of contributions	-	54,753	54,753
Total deferred outflows of resources	\$ 13,876,964	\$ 18,788,912	\$ 32,665,876

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

A. Summary (Continued)

Deferred Inflows of Resources

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

	Deferred Inflows of Resources		
	CalPERS	CalSTRS	Total
Difference between expected and actual experience	\$ -	\$ 940,540	\$ 940,540
Difference between projected and actual earnings on pension plan investments	-	1,824,100	1,824,100
Difference between employer contribution and proportionate share of contributions	120,232	-	120,232
Changes in employer's proportionate share	624,075	7,387,379	8,011,454
Total deferred inflows of resources	\$ 744,307	\$ 10,152,019	\$ 10,896,326

Pension Expense

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

	Net Pension Expense
CalPERS Pension Plan	\$ 8,722,465
CalSTRS Pension Plan	6,888,660
Total	\$ 15,611,125

B. CalPERS Pension Plan

Plan Description

Most full-time classified (non-academic) employees participate in the School Employer Pool under CalPERS, a cost-sharing multiple-employer contributory public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law (Part 3 of the California Government Code, §22000 et seq.). CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office located at 400 P Street, Sacramento, CA 95814.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

Benefits Provided

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

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

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

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

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

Employees Covered

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the active contribution rate was 7.0% of annual payroll. The required employer’s contribution rate was 11.70% of annual payroll.

For the measurement period ended June 30, 2017, the plan’s proportionate share of aggregate employer contributions made was as follows:

	CalPERS Plan
Contributions - employer	\$ 3,424,643

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

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2018, the District reported net pension liability for its proportionate shares of the net pension liability as follows:

	Increase (Decrease)		
Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)	
Balance at: 6/30/16 (Valuation date)	\$ 150,150,979	\$ 110,957,581	\$ 30,806,804
Balance at: 6/30/17 (Measurement date)	170,573,787	122,594,557	47,979,230
Net Changes during 2016-2017	\$ 20,422,808	\$ 11,636,976	\$ 8,785,832

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-17).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	CalPERS Plan
Proportion June 30, 2016	0.19845%
Proportion June 30, 2017	0.20098%
Change - Increase (Decrease)	0.00253%

For the year ended June 30, 2018, the District recognized pension expense in the amount of \$8,722,465 for the Plan.

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2015-16 measurement period is 3.9 years, which was obtained by dividing the total service years of the active employees by the total number of participants (active, inactive, and retired).

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

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

CalPERS Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after the measurement date	\$ 4,055,088	\$ -
Difference between projected and actual earning on pension plan investments	1,659,753	-
Difference between expected and actual experience	1,718,898	-
Changes in assumptions	6,443,225	-
Changes in employer's proportionate share	-	624,075
Difference between District contributions and proportionate share of contributions	-	120,232
Total	\$ 13,876,964	\$ 744,307

For the Plan, \$4,055,088 was reported as a deferred outflow of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2019	\$ 2,465,077
2020	4,443,885
2021	3,077,491
2022	(908,884)
2023	-
Thereafter	-
	\$ 9,077,569

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumption

GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In the current year, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive assets	6.00%	0.80%	1.39%
Private equity	12.00%	6.60%	6.63%
Real assets	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

¹ An expected inflation of 2.5% was used for this period.

² An expected inflation of 3.0% was used for this period.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

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

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
(6.15%)	Rate (7.15%)	(8.15%)
\$ 70,592,823	\$ 47,979,230	29,219,362

Pension Plan Fiduciary Net Position

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

C. CalSTRS Pension Plan

Plan Description

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

Under State Teachers’ Retirement Law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees as of June 30, 2018.

Benefits Provided

CalSTRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law. Retirement benefits for classic employees are calculated as 2.0% of the average final 12 months compensation multiplied by years of service. Retirement benefits for PEPRA employees are calculated as 2.0% of the average final 36 months compensation multiplied by years of service.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

Employees Covered

For the measurement period ended June 30, 2017, the following employees were covered by the benefit terms:

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

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalSTRS’ annual actuarial valuation process. For public agency cost-sharing plans, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the active contribution rate was 9.2% of annual payroll for the Plan. The average employer’s contribution rate was 11.70% for the Plan.

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

For the measurement period ended June 30, 2017, the Plan’s proportionate share of aggregate employer contributions made for the Plan was as follows:

	CalSTRS Plan
Contributions - employer	\$ 5,732,704
Contributions - State On-Behalf payments	2,907,777
Total contributions	\$ 8,640,481

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

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	7.126%	\$ 2,523,604
2017	12.200%	2,366,680
2018	11.700%	2,907,777

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

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

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 for the Plan using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate shares of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 6/30/16 (Valuation date)	\$ 210,246,254	\$ 147,263,646	\$ 62,982,608
Balance at: 6/30/17 (Measurement date)	224,049,060	155,614,600	68,434,460
Net Changes during 2016-2017	\$ 13,802,806	\$ 8,350,954	\$ 5,451,852

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

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

The District’s proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

	CalSTR's Plan
Proportion June 30, 2016	0.07787%
Proportion June 30, 2017	0.07400%
Change - Increase (Decrease)	-0.00387%

For the year ended June 30, 2018, the District recognized pension expense in the amount of \$6,888,60 for the Plan.

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2016-17 measurement period is 7 years.

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

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after the measurement date	\$ 6,055,739	\$ -
Difference between projected and actual earning on pension plan investments	-	1,824,100
Difference between expected and actual experience	-	940,540
Changes in assumptions	12,678,420	-
Changes in employer's proportionate share	-	7,387,379
Difference between District contributions and proportionate share of contributions	54,753	-
Total	\$ 18,788,912	\$ 10,152,019

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

For the Plan, \$6,055,739 was reported as deferred outflows of resources related to pensions resulting from District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2019	(921,479)
2020	1,740,597
2021	36,535
2022	(639,048)
2023	1,118,921
Thereafter	1,245,628
	\$ 2,581,154

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Salary Increases	3.50%
Investment Rate of Return	7.00%, net of investment and administrative expenses
Mortality Rate Table	Custom tables based on RP2016 series tables adjusted to fit CalSTRS experience
Post Retirement Benefit Increase	2.00% simple for DB, Not applicable for DBS/CBB

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

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015, including updates to salary increase, mortality and retirement rates.

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expenses occur mid-year. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 10 basis points. An investment return excluding administrative expenses would have been 7.10%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

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

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return ¹
Global Equity	47.00%	6.30%
Fixed Income	12.00%	30.00%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
	100%	

¹20-year geometric average

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
\$ 100,484,600	\$ 68,434,460	\$ 42,424,940

Pension Plan Fiduciary Net Position

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Risk Management

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

Note 10 – Joint Ventures (Joint Powers Agreement)

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

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

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

Note 11 – Commitments and Contingencies

Litigation

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

Sick Leave

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

Grants and Contracts

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Commitments and Contingencies (Continued)

Construction

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$54,215,178 as of June 30, 2018.

Note 12 – Deficit Net Position

At June 30, 2018 the District had an unrestricted net position deficit of \$(131,237,285) and a total net position deficit of \$(10,698,692). These deficits were caused by the reporting of the net pension liability and net OPEB liability..

Note 13 – Prior Period Adjustment

The District recorded the following prior period adjustment in order to implement GASB 75 in fiscal year 2018:

Beginning Net Position, as previously reported	\$ (14,878,993)
Prior period adjustments:	
Net OPEB obligation, as of June 30, 3017	6,792,842
Net OPEB liability, as of June 30, 3017	(13,475,694)
Deferred outflows of resources	1,180,577
Total	(5,502,275)
Beginning Net Position, as restated	\$ (20,381,268)

REQUIRED SUPPLEMENTARY INFORMATION

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Southwestern Community College District
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years
For the Year Ended June 30, 2018

California Public Employees' Retirement System ("CalPERS")

Measurement Period	June 30, 2014 ¹	June 30, 2015 ¹	June 30, 2016 ¹	June 30, 2017 ¹
District's Proportion of the Net Pension Liability	0.20990%	0.20900%	0.19845%	0.20098%
District's Proportionate Share of the Net Pension Liability	\$ 23,828,761	\$ 30,806,804	\$ 39,193,398	\$ 47,979,230
District's Covered-Employee Payroll	\$ 22,245,705	\$ 23,993,385	\$ 24,031,265	\$ 24,659,008
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	107.12%	128.40%	163.09%	194.57%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.38%	79.43%	79.43%	79.43%

California State Teachers' Retirement System ("CalSTRS")

Measurement Period	June 30, 2014 ¹	June 30, 2015 ¹	June 30, 2016 ¹	June 30, 2017 ¹
District's Proportion of the Net Pension Liability	0.08000%	0.08000%	0.07787%	0.07400%
District's Proportionate Share of the net Pension Liability	\$ 46,749,600	\$ 53,859,200	\$ 62,982,608	\$ 68,434,460
District's Covered-Employee Payroll	\$ 35,763,671	\$ 39,853,588	\$ 38,688,844	\$ 39,727,305
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	130.72%	135.14%	162.79%	172.26%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	76.52%	74.02%	74.02%	69.46%

Notes to Schedule:

Changes in assumptions In 2017, CalPERS the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Changes in assumptions In 2017, CalSTRS the accounting discount rate reduced from 7.60 percent to 7.10 percent.

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

Southwestern Community College District
Schedules of Contributions
Last Ten Years
For the Year Ended June 30, 2018

California Public Employees' Retirement System ("CalPERS")	<u>2013-14¹</u>	<u>2014-15¹</u>	<u>2015-16¹</u>	<u>2016-17¹</u>	<u>2017-18¹</u>
Actuarially Determined Contribution ²	\$ 2,545,353	\$ 2,824,261	\$ 2,824,088	\$ 3,424,643	\$ 4,055,088
Contribution in Relation to the Actuarially Determined Contribution ²	(2,545,353)	(2,824,261)	(2,824,088)	(3,424,643)	(4,055,088)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ³	<u>\$ 22,245,705</u>	<u>\$ 23,993,385</u>	<u>\$ 24,713,187</u>	<u>\$ 24,659,008</u>	<u>\$ 26,109,642</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>11.44%</u>	<u>11.77%</u>	<u>11.43%</u>	<u>13.89%</u>	<u>15.53%</u>
California State Teachers' Retirement System ("CalSTRS")	<u>2013-14¹</u>	<u>2014-15¹</u>	<u>2015-16¹</u>	<u>2016-17¹</u>	<u>2017-18¹</u>
Actuarially Determined Contribution	\$ 2,954,523	\$ 3,539,234	\$ 4,510,356	\$ 4,997,695	\$ 6,055,739
Contribution in Relation to the Actuarially Determined Contribution	(2,954,523)	(3,539,234)	(4,510,356)	(4,997,695)	(6,055,739)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ³	<u>\$ 35,763,671</u>	<u>\$ 39,853,588</u>	<u>\$ 41,049,196</u>	<u>\$ 39,727,305</u>	<u>\$ 41,966,316</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>8.26%</u>	<u>8.88%</u>	<u>10.99%</u>	<u>12.58%</u>	<u>14.43%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

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

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

Notes to Schedule

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

Changes of Assumptions: CalPERS discount rate was changed from 7.65% (net of administrative expenses) to 7.15%.

Southwestern Community College District
Schedule of Changes in Net OPEB Liabilities and Related Ratios
Last Ten Years
For the Year Ended June 30, 2018

	2018
Measurement period, year ended:	2016-2017
Total OPEB liability	
Service cost	\$ 781,846
Interest	1,103,513
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(838,883)
Net change in total OPEB liability	1,046,476
Total OPEB liability - beginning	17,016,394
Total OPEB liability - ending (a)	\$ 18,062,870
OPEB fiduciary net position	
Contributions - employer	\$ 1,180,577
Net investment income	345,663
Benefit payments, including refunds of member contributions	(838,883)
Administrative expense	(500)
Net change in plan fiduciary net position	686,857
Plan fiduciary net position - beginning	3,540,700
Plan fiduciary net position - ending (b)	4,227,557
Plan net OPEB liability - ending (a) - (b)	\$ 13,835,313
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	\$ 48,511,146
Plan net OPEB liability as a percentage of covered-employee payroll	28.52%

* Since it is the first year of implementation, there is only one year available for the required 10-year schedule.

**Southwestern Community College District
Schedule of Contributions – OPEB
Last Ten Years
For the Year Ended June 30, 2018**

	2018
For the Measurement Period:	2016-2017
Actuarially Determined Contributions	\$ 1,180,577
Contributions in relation to the actuarially determined contribution	(1,180,577)
Contribution deficiency (excess)	\$ 2,361,154
Covered-employee payroll	\$ 48,511,146
Contributions as a percentage of covered payroll	8%

* Since it is the first year of implementation, there is only one year available for the required 10-year schedule.

SUPPLEMENTARY INFORMATION

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FUNDS OF THE DISTRICT

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

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

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

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

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

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

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

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

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

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

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

Fitness Center Fund - This fund is used to account for the operations of the fitness center.

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

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances
June 30, 2018

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Prop Z Bond Fund
ASSETS					
Current assets:					
Cash and investments	\$ 32,159,759	\$ -	\$ 3,668,183	\$ -	\$ -
Accounts receivable	673,366	3,166,749	-	-	-
Inventories	82,885	-	-	-	-
Prepaid items	52,219	-	-	-	-
Due from other funds	122,398	-	316,575	-	-
Due from Fiduciary	86,941	-	-	-	-
Restricted cash and investments	-	5,847,243	-	50,219,329	139,468,074
Total current assets	33,177,568	9,013,992	3,984,758	50,219,329	139,468,074
Noncurrent assets:					
Restricted cash and investments	-	-	-	-	-
Capital assets, net	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
Total assets	\$ 33,177,568	\$ 9,013,992	\$ 3,984,758	\$ 50,219,329	\$ 139,468,074
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 4,709,799	\$ 659,584	\$ 230,456	\$ 3,659,748	\$ 79,871
Payroll and related liabilities	5,112,281	-	-	-	-
Compensated absences	3,375,374	-	-	-	-
Unearned revenue	839,402	7,051,233	-	-	-
Due to other funds	244,380	-	1,071	23,370	123,314
Total liabilities	14,281,236	7,710,817	231,527	3,683,118	203,185
Fund Balances	18,896,332	1,303,175	3,753,231	46,536,211	139,264,889
Total liabilities and fund balances	\$ 33,177,568	\$ 9,013,992	\$ 3,984,758	\$ 50,219,329	\$ 139,468,074

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)
June 30, 2018

	Student Center	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid
ASSETS					
Current assets:					
Cash and investments	\$ 378,422	\$ -	\$ 1,451,331	\$ 683,273	\$ 213,945
Accounts receivable	-	-	181,399	14,155	39,494
Inventories	-	-	892,728	205,356	-
Prepaid items	-	-	-	-	-
Due from other funds	1,458	-	42,619	7,043	-
Due from Fiduciary	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total current assets	<u>379,880</u>	<u>-</u>	<u>2,568,077</u>	<u>909,827</u>	<u>253,439</u>
Noncurrent assets:					
Restricted cash and investments	-	36,033,715	-	-	-
Capital assets, net	-	-	205	23,070	-
Total noncurrent assets	<u>-</u>	<u>36,033,715</u>	<u>205</u>	<u>23,070</u>	<u>-</u>
Total assets	<u>\$ 379,880</u>	<u>\$ 36,033,715</u>	<u>\$ 2,568,282</u>	<u>\$ 932,897</u>	<u>\$ 253,439</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 62,946	\$ 19,466	\$ 1,828
Payroll and related liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Unearned revenue	-	-	35,942	21,282	-
Due to other funds	-	-	67,405	30,553	-
Total liabilities	<u>-</u>	<u>-</u>	<u>166,293</u>	<u>71,301</u>	<u>1,828</u>
Fund Balances	<u>379,880</u>	<u>36,033,715</u>	<u>2,401,989</u>	<u>861,596</u>	<u>251,611</u>
Total liabilities and fund balances	<u>\$ 379,880</u>	<u>\$ 36,033,715</u>	<u>\$ 2,568,282</u>	<u>\$ 932,897</u>	<u>\$ 253,439</u>

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)
June 30, 2018

	Fitness Center	Self Insurance	Total
ASSETS			
Current assets:			
Cash and investments	\$ 703,190	\$ 902,603	\$ 40,160,706
Accounts receivable	1,810	-	4,076,973
Inventories	-	-	1,180,969
Prepaid items	-	-	52,219
Due from other funds	-	-	490,093
Due from Fiduciary	-	-	86,941
Restricted cash and investments	-	-	195,534,646
Total current assets	<u>705,000</u>	<u>902,603</u>	<u>241,582,547</u>
Noncurrent assets:			
Restricted cash and investments	-	-	36,033,715
Capital assets, net	-	-	23,275
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>36,056,990</u>
Total assets	<u><u>\$ 705,000</u></u>	<u><u>\$ 902,603</u></u>	<u><u>\$ 277,639,537</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 242,357	\$ -	\$ 9,666,055
Payroll and related liabilities	-	-	5,112,281
Compensated absences	-	-	3,375,374
Unearned revenue	397	-	7,948,256
Due to other funds	-	-	490,093
Total liabilities	<u>242,754</u>	<u>-</u>	<u>26,592,059</u>
Fund Balances	<u>462,246</u>	<u>902,603</u>	<u>251,047,478</u>
Total liabilities and fund balances	<u><u>\$ 705,000</u></u>	<u><u>\$ 902,603</u></u>	<u><u>\$ 277,639,537</u></u>

Southwestern Community College District
Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances
to Basic Statement of Net Position
June 30, 2018

Total Fund Balances reported in the Combining Balance Sheet	<u>\$ 251,047,478</u>
Amounts reported in the Statement of Net Position are differently because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	
Government-Wide capital assets	331,527,726
Less enterprise funds capital assets	<u>(23,275)</u>
Total capital assets not reported in the funds	<u>331,504,451</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Aggregate net pension liability	(116,413,690)
Net OPEB liability	(13,835,313)
Bonds payable - due within one year	(15,185,000)
Bonds payable - due in more than one year	<u>(466,037,450)</u>
Total long-term liabilities not reported in the funds	<u>(611,471,453)</u>
Deferred loss on bond refunding dis not require current financial resources. Therefore, it is not reported in the governmental funds.	3,785,750
Deferred gain on bond refunding dis not require current financial resources. Therefore, it is not reported in the governmental funds.	(1,154,509)
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
Pension-related deferred outflows	<u>32,665,876</u>
Total actuarially determined deferred outflows of resources	<u>32,665,876</u>
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
Pension-related deferred inflows	<u>(10,896,326)</u>
Total actuarially determined deferred inflows of resources	<u>(10,896,326)</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds.	<u>(6,179,959)</u>
Net Position	<u><u>\$ (10,698,692)</u></u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position
For the Year Ended June 30, 2018

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Prop Z Bond Fund
OPERATING REVENUES					
Tuition and fees	\$ 5,911,279	\$ 1,346,435	\$ -	\$ -	\$ -
Federal grant, non-capital	236,526	3,807,816	-	-	-
State grant, non-capital	-	-	-	-	-
Local grant, non-capital	869,709	691,996	-	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-
Other operating revenues	-	-	-	-	-
Total operating revenues	7,017,514	5,846,247	-	-	-
OPERATING EXPENDITURES/EXPENSES:					
Salaries	62,952,354	13,484,671	1,040	53,563	-
Employee benefits	21,200,706	4,171,218	31	19,430	208,010
Payments to students	52,301	1,360,532	-	-	-
Supplies, materials, and other expenses	7,422,465	5,831,162	2,031,197	61,876,610	507,527
Utilities	4,078,267	14,286	-	-	-
Depreciation	-	-	-	-	-
Total operating expenditures/expenses	95,706,093	24,861,869	2,032,268	61,949,603	715,537
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(88,688,579)	(19,015,622)	(2,032,268)	(61,949,603)	(715,537)
NONOPERATING REVENUE(EXPENSES):					
Federal grant, non-capital	-	-	-	-	-
State apportionments, non-capital	69,115,917	16,743,034	-	-	-
Local property taxes, non-capital	26,273,780	-	-	-	-
Investment income	302,432	-	45,091	947,067	713,751
Other non-operating revenue(expense)	1,182,053	1,111,600	1,172,528	-	-
Debt service:					
Proceeds from bond issuance	-	-	-	-	140,000,000
Premium on bond issuance	-	-	-	-	10,216,377
Costs of bond issuance	-	-	-	-	(733,325)
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total non-operating expenditures/expenses	96,874,182	17,854,634	1,217,619	947,067	150,196,803
INCOME(LOSS) BEFORE TRANSFERS	8,185,603	(1,160,988)	(814,649)	(61,002,536)	149,481,266
TRANSFERS:					
Transfers in	-	909,013	-	-	-
Transfers out	(1,856,985)	-	-	-	(10,216,377)
Transfers	(1,856,985)	909,013	-	-	(10,216,377)
Changes in fund balance/net position	6,328,618	(251,975)	(814,649)	(61,002,536)	139,264,889
FUND EQUITY/NET POSITION:					
Beginning of year	12,567,714	1,555,150	4,567,880	107,538,747	-
End of year	<u>\$ 18,896,332</u>	<u>\$ 1,303,175</u>	<u>\$ 3,753,231</u>	<u>\$ 46,536,211</u>	<u>\$ 139,264,889</u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position (Continued)
For the Year Ended June 30, 2018

	Student Center	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid
OPERATING REVENUES					
Tuition and fees	\$ 148,297	\$ -	\$ -	\$ -	\$ -
Federal grant, non-capital	-	-	-	-	1,691,136
State grant, non-capital	-	-	-	-	4,828,378
Local grant, non-capital	-	-	-	-	-
Auxiliary enterprise sales and charges	-	-	2,842,186	1,841,260	-
Other operating revenues	-	-	-	-	-
Total operating revenues	148,297	-	2,842,186	1,841,260	6,519,514
OPERATING EXPENDITURES/EXPENSES:					
Salaries	-	-	521,900	771,436	-
Employee benefits	-	-	148,874	218,378	-
Payments to students	-	-	-	-	32,833,315
Supplies, materials, and other expenses	74,145	-	2,154,350	1,148,730	-
Utilities	-	-	2,969	979	-
Depreciation	-	-	1,239	10,095	-
Total operating expenditures/expenses	74,145	-	2,829,332	2,149,618	32,833,315
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	74,152	-	12,854	(308,358)	(26,313,801)
NONOPERATING REVENUE(EXPENSES):					
Federal grant, non-capital	-	-	-	-	26,225,989
State apportionments, non-capital	-	-	-	-	-
Local property taxes, non-capital	-	26,908,427	-	-	-
Investment income	1,814	257,527	385	-	92
Other non-operating revenue(expense)	-	2,341,960	31,245	-	-
Debt service:					
Proceeds from bond issuance	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-
Costs of bond issuance	-	-	-	-	-
Principal payment	(95,000)	(11,150,000)	-	-	-
Interest and fiscal charges	-	(15,368,434)	-	-	-
Total non-operating expenditures/expenses	(93,186)	2,989,480	31,630	-	26,226,081
INCOME(LOSS) BEFORE TRANSFERS	(19,034)	2,989,480	44,484	(308,358)	(87,720)
TRANSFERS:					
Transfers in	-	10,216,377	-	197,972	-
Transfers out	-	-	-	-	-
Transfers	-	10,216,377	-	197,972	-
Changes in fund balance/net position	(19,034)	13,205,857	44,484	(110,386)	(87,720)
FUND EQUITY/NET POSITION:					
Beginning of year	398,914	22,827,858	2,357,505	971,982	339,331
End of year	<u>\$ 379,880</u>	<u>\$ 36,033,715</u>	<u>\$ 2,401,989</u>	<u>\$ 861,596</u>	<u>\$ 251,611</u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position (Continued)
For the Year Ended June 30, 2018

	Fitness Center	Self Insurance	Total
OPERATING REVENUES			
Tuition and fees	\$ 87,714	\$ -	\$ 7,493,725
Federal grant, non-capital	-	-	5,735,478
State grant, non-capital	-	-	4,828,378
Local grant, non-capital	-	-	1,561,705
Auxiliary enterprise sales and charges	-	-	4,683,446
Other operating revenues	3,129	127,054	130,183
Total operating revenues	90,843	127,054	24,432,915
OPERATING EXPENDITURES/EXPENSES:			
Salaries	206,589	-	77,991,553
Employee benefits	53,714	127,054	26,147,415
Payments to students	-	-	34,246,148
Supplies, materials, and other expenses	118,294	-	81,164,480
Utilities	-	-	4,096,501
Depreciation	-	-	11,334
Total operating expenditures/expenses	378,597	127,054	223,657,431
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(287,754)	-	(199,224,516)
NONOPERATING REVENUE(EXPENSES):			
Federal grant, non-capital	-	-	26,225,989
State apportionments, non-capital	-	-	85,858,951
Local property taxes, non-capital	-	-	53,182,207
Investment income	-	9,401	2,277,560
Other non-operating revenue(expense)	-	-	5,839,386
Debt service:			
Proceeds from bond issuance	-	-	140,000,000
Premium on bond issuance	-	-	10,216,377
Costs of bond issuance	-	-	(733,325)
Principal payment	-	-	(11,245,000)
Interest and fiscal charges	-	-	(15,368,434)
Total non-operating expenditures/expenses	-	9,401	296,253,711
INCOME(LOSS) BEFORE TRANSFERS	(287,754)	9,401	97,029,195
TRANSFERS:			
Transfers in	750,000	-	12,073,362
Transfers out	-	-	(12,073,362)
Transfers	750,000	-	-
Changes in fund balance/net position	462,246	9,401	97,029,195
FUND EQUITY/NET POSITION:			
Beginning of year	-	893,202	154,018,283
End of year	\$ 462,246	\$ 902,603	\$ 251,047,478

Southwestern Community College District
Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses and Changes in
Fund Equity to Basic Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2018

Revenues and other financing sources over (under) expenditures/expenses and other financing use:	<u>\$ 97,029,195</u>
Amounts reported in the Statement of Activities were different because:	
Capital outlay expenditures reported in the governmental funds that were not capitalized on the Government-Wide Statement of Net Position were reclassified as Supplies, Materials, and Other Expenses.	<u>62,879,503</u>
Disposal of capital assets provided current financial resources to governmental funds, but disposal of capital assets decreased capital assets in the Government-Wide Statement of Net Position.	<u>-</u>
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation was not reported as an expenditure in governmental funds (net of \$11,334 in enterprise funds).	<u>(7,682,805)</u>
Position, but it did not require the use of current financial resources. Therefore, interest was not reported as an expenditure in governmental funds.	<u>(1,305,148)</u>
Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:	
Lease revenue bonds	95,000
General Obligation bonds	<u>11,150,000</u>
Total repayment of long-term liabilities	<u>11,245,000</u>
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These differences are as follows:	
Proceeds from bond issuance	(140,000,000)
Premium on bond issuance	<u>(10,216,377)</u>
total	<u>(150,216,377)</u>
Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.	
Bond premium and discount	(2,107,740)
Deferred gain and loss on refunding	(6,017)
Changes in the amount Due to County reported in the Statement of Activities did not require the use of current financial resources and, therefore, was not reported as an expenditure in the governmental funds.	<u>1,129,300</u>
Changes in the net pension liability reported in the Statement of Activities did not require the use of current financial resources and, therefore, was not reported as an expenditure in the governmental funds.	<u>(3,957,619)</u>
Changes in the net OPEB liability reported in the Statement of Activities did not require the use of current financial resources and, therefore, was not reported as an expenditure in the governmental funds.	<u>(1,540,196)</u>
Change in Net Position	<u><u>\$ 9,682,576</u></u>

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SINGLE AUDIT

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2018.

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

The PwC Group, LLP

San Diego, California
December 23, 2018



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the accompanying basic financial statements of the District as of and for the year ended June 30, 2018, and the related notes to the financial statements. We issued our report thereon dated December 23, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



San Diego, California
December 23, 2018

**Southwestern Community College District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure	Amount Provided to Subrecipients
U.S. Department of Education:					
Direct Programs:					
Financial Aid Cluster:					
	PELL	84.063	P063P131184	\$ 26,225,989	\$ -
	SEOG	84.007	P0078130617	470,750	-
	Direct Loans	84.268	P268K131184	1,130,704	-
	Federal Work Study	84.033	P033A130617	404,396	-
	Total Financial Aid Cluster			28,231,839	-
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A100052	90,154	-
	Puertas al Futuro - "Doorways to the Future"	84.031S	P031S140041	411,394	-
Passed through California Department of Education					
	Perkins, Title IC	84.051	17-C01-63	745,232	-
	CTE Transitions	84.051	17-C01-63	41,598	-
	Sub-total			786,830	-
Passed through State of California Department of Rehabilitation:					
	State Vocational Rehabilitation Program	84.126A	29018/SCPRS 1324967	133,191	-
	Total U.S. Department of Education			29,653,408	-
U.S. Department of Agriculture:					
Passed through The Foundation for California Community Colleges:					
SNAP Cluster:					
	Fresh Success Program	10.561	FRS-010-17	20,540	-
	Total SNAP Cluster			20,540	-
	Total U.S. Department of Agriculture			20,540	-
U.S. Department of Defense:					
Direct Programs:					
	Procurement Technical Assistance (DLA)	12.002	SP4800-17-2-1749	188,482	-
	Procurement Technical Assistance (DLA)	12.002	SP4800-18-2-1849	169,875	-
	Sub-total			358,357	-
	Total U.S. Department of Defense			358,357	-
U.S. Department of Housing and Urban Development:					
Passed through The Foundation for California Community Colleges:					
CDBG - Entitlement Grant Cluster:					
	Community Development Block Grant	14.218	CED-FY18-003-02	168,345	-
	Total CDBG - Entitlement Grant Cluster			168,345	-
	Total U.S. Department of Housing and Urban Development			168,345	-
National Science Foundation:					
Passed through Jefferson Community College and Technical College:					
	Geospatial Technology Center of Excellence: "Growing the Workforce"	47.076	DUE-1700496	84,962	-
	Total National Science Foundation			84,962	-

Southwestern Community College District
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2018

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure	Amount Provided to Subrecipients
<u>Small Business Administration:</u>					
Direct Programs:					
	Women's Business Ownership Assistance	59.043	SBAHQ-18-W0002	24,086	-
Direct Programs:					
	2018 US SBA Grant	59.037	SBAHQ-18-B-0028	454,090	280,168
	2017 US SBA Grant	59.037	SBAHQ-17-B-0056	683,785	172,677
	Portable Assistance Program	59.037	SBAHQ-17-B-0073	70,218	-
	San Diego Technology Small Business Development Center	59.037	SDT2017A	90,336	90,336
Passed through Riverside Community College District:					
	Collaborating Institution	59.037	SBAHQ-16-G-0001	14,963	-
	Sub-total			<u>1,313,392</u>	<u>543,181</u>
	Total Small Business Administration			<u>1,337,478</u>	<u>543,181</u>
<u>U.S. Veterans Affairs Education Services Outreach</u>					
Direct Programs:					
	Veterans Reporting Fees	64.27	38 USC 3684	4,231	-
	Total U.S. Department of Veterans Affairs			<u>4,231</u>	<u>-</u>
<u>U.S. Department of Health & Human Services/National Institutes of Health:</u>					
Passed through San Diego State University Research Foundation:					
	SDSU Bridges to Baccalaureate Program	93.859	55127J P1598 7804 212	3,790	-
	Total U.S. Department of Health & Human Services/National Institutes of Health			<u>3,790</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Direct Program					
	Paramedic Refresher Training Course	97.036	AR3586.12	4,149	-
	Total U.S. Department of Homeland Security			<u>4,149</u>	<u>-</u>
	Total expenditures of federal awards			<u>\$ 31,635,260</u>	<u>\$ 543,181</u>

Southwestern Community College District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 – Reporting Entity

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

Note 2 – Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 3 – Indirect Cost Rate

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

**Southwestern Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Section I – Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

Major Program	CFDA	Expenditures
Financial Aid Cluster:		
PELL	84.063	\$ 26,225,989
SEOG	84.007	470,750
Federal Direct Student Loans	84.268	1,130,704
Federal Work Study	84.033	404,396
Total financial aid cluster		28,231,839
Total Major Program Expenditures		\$ 28,231,839
Total Expenditures of Federal Awards		\$ 31,635,260
Percent of Total Expenditures of Federal Awards		89.24%

Dollar threshold used to distinguish between type A and type B programs **\$949,058**

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

**Southwestern Community College District
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018**

Section II – Financial Statement Findings

A. Current Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2018.

B. Prior Year Financial Statement Findings

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

Section III- Federal Awards Findings

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

No findings or questioned costs were noted on the District’s major programs for the year ended June 30, 2018.

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

No findings or questioned costs were noted on the District’s major programs for the year ended June 30, 2017.

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STATE COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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

We have audited Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (the "CDAM") 2017-2018, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2018.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance based on our audit of the types of compliance referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the California Community Colleges Contracted Audit Manual (CDAM) 2016-2017, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the District's compliance with the state laws and regulations referred to above.

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

421 – Salaries of Classroom Instructors (50 Percent Law)

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

423 – Apportionment for Instructional Service Agreements/Contracts

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

424 – State General Apportionment Funding System

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

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425 – Residency Determination for Credit Courses

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

426 – Students Actively Enrolled

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

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

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

428 – Student Equity

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

429 – Student Success and Support Program (SSSP)

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

430 – Scheduled Maintenance Program

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

431 – Gann Limit Calculation

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

435 – Open Enrollment

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

439 – Proposition 39 Clean Energy

The District complied with Public Resources Code §26225-26240, Education Code 84040, Approved CCC Prop 39 Energy Project Guidelines and the Project Funding Application, as well as Public Contract Code §20133 for Prop 39 Clean Energy-funded projects for the year ended June 30, 2018.

440 – Intersession Extension Programs

The District did not have an intersession program in place during fiscal year 2017-2018; therefore, this compliance requirement is not applicable.

475 – Disabled Student Programs and Services (DSPS)

The District served eligible DSPS student and submitted accurate student-count data for fiscal year 2017-2018 to document eligible DSPS students served.

479 – To Be Arranged Hours (TBA)

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

490 – Propositions 1D and 51 State Bond Funded Projects

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

491 – Proposition 55 Education Protection Account Funds

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

Opinion

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2018.

Purpose of this Report

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



San Diego, California
December 23, 2018

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OTHER INFORMATION

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Southwestern Community College District
Other Information
Purpose of Schedules
For the Year Ended June 30, 2018

PURPOSE OF SCHEDULES

Schedule of Workload Measures for Program-Based Funding

Full-time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District on a full-time basis. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

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

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

Reconciliation of the 50% Calculation with Audited Financial Statements

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

Reconciliation of the Education Protection Account Expenditures with Audited Financial Statements

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

Schedule of Expenditures of State Awards

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

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Southwestern Community College District
Schedule of Workload Measures for State General Apportionment
and Annual Actual Attendance
For the Year Ended June 30, 2018

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	-	-	-
2. Credit	2.72	-	2.72
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,733.31	-	9,733.31
(b) Daily Census Contact Hours	793.64	-	793.64
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	234.68	-	234.68
(b) Credit	466.05	-	466.05
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,349.14	-	1,349.14
(b) Daily Census Contact Hours	738.18	-	738.18
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>13,317.72</u>	<u>-</u>	<u>13,317.72</u>
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	-	-	-
(b) Credit	1,172.70	-	1,172.70
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
(a) Noncredit	-	-	-
(b) Credit	-	-	-

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Southwestern Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311)
with Audited Financial Statements
For the Year Ended June 30, 2018

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

	General Fund Unrestricted	General Fund Restricted	Capital Outlay	Prop R Fund	Prop Z Fund	Student Center	Bond Interest and Redemption Fund
Fund balance/net position per the CCFS-311 at June 30, 2018	\$ 18,896,332	\$ 1,303,174	\$ 3,758,820	\$ 46,536,211	\$ 139,264,889	\$ 380,036	\$ 36,033,715
Audit adjustments	-	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	-	1	(5,589)	-	-	(156)	-
Net adjustments and reclassifications	-	1	(5,589)	-	-	(156)	-
Fund balance/net position per the audited fund financial statements at June 30, 2018	\$ 18,896,332	\$ 1,303,175	\$ 3,753,231	\$ 46,536,211	\$ 139,264,889	\$ 379,880	\$ 36,033,715

Southwestern Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311)
with Audited Financial Statements (Continued)
For the Year Ended June 30, 2018

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

	Bookstore	Cafeteria	Federal Financial Aid	Fitness Center	Self Insurance	Fiduciary Funds	
						ASO Student Clubs	Student Service Trust Funds
Fund balance/net position per the CCFS-311 at June 30, 2018	\$ 2,401,987	\$ 861,596	\$ 251,612	\$ 462,246	\$ 903,896	\$ 662,029	\$ 24,011
Audit adjustments	-	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	2	-	(1)	-	(1,293)	(102,584)	1
Net adjustments and reclassifications	2	-	(1)	-	(1,293)	(102,584)	1
Fund balance/net position per the audited fund financial statements at June 30, 2018	\$ 2,401,989	\$ 861,596	\$ 251,611	\$ 462,246	\$ 902,603	\$ 559,445	\$ 24,012

Southwestern Community College District
Reconciliation of 50% Calculation with
Audited Financial Statements
For the Year Ended June 30, 2018

Object /TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
<u>Academic Salaries</u>							
Instructional Salaries:							
Contract or Regular	1100	\$ 17,696,091	\$ -	\$ 17,696,091	\$ 17,696,091	\$ -	\$ 17,696,091
Other	1300	14,948,820	-	14,948,820	15,117,195	-	15,117,195
Total Instructional Salaries		<u>32,644,911</u>	<u>-</u>	<u>32,644,911</u>	<u>32,813,286</u>	<u>-</u>	<u>32,813,286</u>
Non-Instructional Salaries:							
Contract or Regular	1200	-	-	-	7,646,486	-	7,646,486
Other	1400	-	-	-	890,670	-	890,670
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,537,156</u>	<u>-</u>	<u>8,537,156</u>
Total Academic Salaries		<u>32,644,911</u>	<u>-</u>	<u>32,644,911</u>	<u>41,350,442</u>	<u>-</u>	<u>41,350,442</u>
<u>Classified Salaries</u>							
Non-Instructional Salaries:							
Regular Status	2100	-	-	-	16,104,718	-	16,104,718
Other	2300	-	-	-	1,384,218	-	1,384,218
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>17,488,936</u>	<u>-</u>	<u>17,488,936</u>
Instructional Aides:							
Regular Status	2200	1,984,606	-	1,984,606	1,984,606	-	1,984,606
Other	2400	712,682	-	712,682	758,143	-	758,143
Total Instructional Aides		<u>2,697,289</u>	<u>-</u>	<u>2,697,289</u>	<u>2,742,749</u>	<u>-</u>	<u>2,742,749</u>
Total Classified Salaries		<u>2,697,289</u>	<u>-</u>	<u>2,697,289</u>	<u>20,231,685</u>	<u>-</u>	<u>20,231,685</u>
Employee Benefits	3000	13,649,233	-	13,649,233	20,926,513	-	20,926,513
Supplies and Materials	4000	-	-	-	1,555,786	-	1,555,786
Other Operating Expenses	5000	473,081	-	473,081	9,569,965	-	9,569,965
Equipment Replacement	6420	-	-	-	10,532	-	10,532
Total Expenditures Prior to Exclusions		<u>\$ 49,464,513</u>	<u>\$ -</u>	<u>\$ 49,464,513</u>	<u>\$ 93,644,924</u>	<u>\$ -</u>	<u>\$ 93,644,924</u>
<u>Exclusions</u>							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Services							
	5900	\$ 314,820	\$ -	\$ 314,820	\$ 727,412	\$ -	\$ 727,412
Student Health Services Above Amount Collected							
	6441	-	-	-	-	-	-
Student Transportation							
	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives							
	6740	-	-	-	-	-	-
Objects to Exclude:							
Rents and Leases							
	5060	-	-	-	23,909	-	23,909
Lottery Expenditures							
		-	-	-	-	-	-
Academic Salaries							
	1000	-	-	-	-	-	-
Classified Salaries							
	2000	-	-	-	-	-	-
Employee Benefits							
	3000	-	-	-	-	-	-
Supplies and Materials:							
Software							
	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals							
	4200	-	-	-	-	-	-
Instructional Supplies & Materials							
	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials							
	4400	-	-	-	-	-	-
Total Supplies and Materials		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Operating Expenses and Services	5000	-	-	-	1,852,245	-	1,852,245
Capital Outlay:							
Capital Outlay							
	6000	-	-	-	-	-	-
Library Books							
	6300	-	-	-	-	-	-
Equipment - Additional							
	6410	-	-	-	-	-	-
Equipment - Replacement							
	6420	-	-	-	-	-	-
Total Capital Outlay		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		<u>\$ 314,820</u>	<u>\$ -</u>	<u>\$ 314,820</u>	<u>\$ 2,603,566</u>	<u>\$ -</u>	<u>\$ 2,603,566</u>
Total for ECS 84362, 50% Law		<u>\$ 49,149,693</u>	<u>\$ -</u>	<u>\$ 49,149,693</u>	<u>\$ 91,041,357</u>	<u>\$ -</u>	<u>\$ 91,041,357</u>
Percent of CEE (Instructional Salary Cost / Total CEE)		<u>53.99%</u>	<u>-</u>	<u>53.99%</u>	<u>100.00%</u>	<u>-</u>	<u>100.00%</u>
50% of Current Expense of Education					<u>\$ 45,520,679</u>	<u>-</u>	<u>\$ 45,520,679</u>

**Southwestern Community College District
 Reconciliation of Education Protection Account Expenditures
 with Audited Financial Statements
 For the Year Ended June 30, 2018**

Education Protection Account proceeds per the CCFS-311: \$ 11,711,900

	Activity Code (0100-5900)	Salaries & Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	\$ -	\$ 11,711,900	\$ -	\$ -	\$ 11,711,900

Southwestern Community College District
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2018

State Agency	Program Name	Cash Received	Accounts Receivable	Unearned Income	Total	Total Program Expenditures
State Department of Education						
Direct Programs:						
	AB104 - Adult Education Consortium Block Grant	\$ 1,145,009	\$ -	\$ 550,735	\$ 594,274	\$ 594,274
	Total direct programs	1,145,009	-	550,735	594,274	594,274
Passed through California Community College Chancellor's Office:						
	CA Apprenticeship Grant	73,557	77,781	-	151,338	151,338
	Deputy Sector Navigator (DSN)	101,661	106,533	-	208,194	208,194
	Instructional Supplies and Materials	1,056,484	-	297,108	759,376	759,376
	Instructional Equipment and Library	1,285,278	-	628,840	656,438	656,438
	CTE Enhancement Fund	49,720	-	-	49,720	49,720
	Total passed through California Community Colleges Chancellor's Office	2,566,700	184,314	925,948	1,825,066	1,825,066
	Total State Department of Education	3,711,709	184,314	1,476,683	2,419,340	2,419,340
California Community Colleges Chancellor's Office:						
Direct Programs:						
	Basic Skills	677,418	-	315,008	362,410	362,410
	EOPS Category A	2,391,981	-	4,781	2,387,200	2,387,200
	EOPS CARE Support	238,852	-	29,230	209,622	209,622
	DSPS Programs and Services	2,078,397	-	-	2,078,397	2,078,397
	California Work Opportunity and Responsibility for Kids (Calworks)	519,577	-	37,498	482,079	482,079
	Matriculation Assessment	3,521,327	-	125,441	3,395,886	3,395,886
	Matriculation Non Credit	87,883	-	19,214	68,669	68,669
	Temporary Cash Assistance for Needy Family (TANF)	67,352	-	15,614	51,738	51,738
	Associate Degree Nursing EnrollmentGrowth	10,815	86,185	-	97,000	97,000
	Guided Pathways Project	406,210	-	25,559	380,651	380,651
	Assessment, Remediation and Retention	59,313	54,687	-	114,000	114,000
	Food Security-Hunger Free	29,700	-	16,889	12,811	12,811
	Strong Workforce	3,294,751	-	2,119,963	1,174,788	1,174,788
	Staff Diversity	75,003	-	50,294	24,709	24,709
	BFAP Financial Aid Allowance	654,626	-	-	654,626	654,626
	Student Equity	2,060,754	-	275,024	1,785,730	1,785,730
	Non Resident Dreamer Aid	75,423	-	6,423	69,000	69,000
	Veteran Resource Center	117,788	-	117,368	420	420
	Proposition 39 Program Improvement Funding	39,291	58,913	-	98,204	98,204
Passed through Grossmont CCD:						
	Basic Skills Partnership Pilot	67,230	22,519	-	89,749	89,749
	Total California Community Colleges Chancellor's Office	16,473,691	222,304	3,158,306	13,537,689	13,537,689
CA Employment Development Department						
Passed through Humboldt State University Sponsored Programs Foundation:						
	SBDC Collaborative Marketing and Outreach	4,901	2,920	-	7,821	7,821
	Total CA Employment Development Department	4,901	2,920	-	7,821	7,821
California Governor's Office of Business and Economic Development:						
Direct Programs:						
	Go-Biz	287,588	132,975	-	420,563	420,563
	Total California Department of Business and Economic Development	287,588	132,975	-	420,563	420,563
California Department of Boating and Waterways:						
Direct Programs:						
	Aquatic Center Grant	43,859	-	6,094	37,765	37,765
	Total California Department of Boating and Waterways	43,859	-	6,094	37,765	37,765
Total State Programs		\$ 20,521,748	\$ 542,513	\$ 4,641,083	\$ 16,423,178	\$ 16,423,178

Southwestern Community College District
Budget Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	General Fund - Unrestricted			General Fund-Restricted		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Federal	\$ 217,000	\$ 236,526	\$ 19,526	\$ 3,307,856	\$ 3,807,816	\$ 499,960
State	62,431,328	69,115,917	6,684,589	17,115,395	16,743,034	(372,361)
Local	33,296,427	34,539,253	1,242,826	5,065,104	3,150,031	(1,915,073)
Total revenues	95,944,755	103,891,696	7,946,941	25,488,355	23,700,881	(1,787,474)
EXPENDITURES:						
Salaries	64,283,592	62,952,354	1,331,238	13,299,744	13,484,671	(184,927)
Employee benefits	19,311,158	21,200,706	(1,889,548)	3,736,264	4,171,218	(434,954)
Payments to students	175,000	52,301	122,699	2,239,159	1,360,532	878,627
Supplies, materials, and other expenses	11,023,286	7,422,465	3,600,821	6,184,817	5,831,162	353,655
Utilities	2,151,719	4,078,267	(1,926,548)	28,371	14,286	14,085
Total expenditures	96,944,755	95,706,093	1,238,662	25,488,355	24,861,869	626,486
REVENUES OVER (UNDER) EXPENDITURES	(1,000,000)	8,185,603	9,185,603	-	(1,160,988)	(1,160,988)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	909,013	909,013
Transfers out	-	(1,856,985)	(1,856,985)	-	-	-
Total other financing sources (uses)	-	(1,856,985)	(1,856,985)	-	909,013	909,013
CHANGES IN FUND BALANCES	\$ (1,000,000)	6,328,618	\$ 7,328,618	\$ -	(251,975)	\$ (251,975)
FUND BALANCES:						
Beginning of year		12,567,714			1,555,150	
End of year		<u>\$ 18,896,332</u>			<u>\$ 1,303,175</u>	