

# **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, 2019*





# Southwestern Community College District

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# Southwestern Community College District

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# Southwestern Community College District

## Introductory Section

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

The Governing Board of the District for the fiscal year ended June 30, 2019 was composed of the following members:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Roberto Alcantar	President	November 2020
Nora E. Vargas	Vice President	November 2022
Leticia Cazares	Board Member	November 2020
Griselda A. Delgado	Board Member	November 2020
Tim Nader	Board Member	November 2022
Rudolph Villegas	Student Trustee	May 2019

The Executive and Senior Administration of the District for the fiscal year ended June 30, 2019 was composed of the following members:

<u>Member</u>	<u>Office</u>
Kindred Murillo, Ed.D.	Superintendent/President
Kelly Hall	Vice-President for Business & Financial Affairs
Rose Del Gaudio	Vice-President, Human Resources
Minou Spradley, Ph.D.	Vice-President for Academic Affairs
Vacant	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, 2019, 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 October 17, 2019 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.

## **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, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Changes in Proportionate Share of the Net Pension Liability – CalSTRS and CalPERS, Schedules of Contributions – CalPERS and CalSTRS, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Contributions – OPEB on pages 5 through 10 and page 62 through 65, 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 20, 2019, 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.

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

San Diego, California  
December 20, 2019

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**Southwestern Community College District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

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This section of the Southwestern Community College District's (the "District") financial statements presents the analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. 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 \$19.9 million or 19.3% of General Fund unrestricted expenses. This is a slight decrease from last year of 19.7% and an increase since FY 16/17 of 13.6%.
- Funded FTES (full time equivalent students) were 14,694 in Fiscal Year (FY) 2018-19 and 13,318 in FY 2017-18.
- Budgeted FTES in FY 2019-20 are 14,840
- The General Fund unrestricted revenue over expenses of \$989,568 represent an 84 percent decrease from the prior year. The excess in FY 17-18 was \$6,328,618 which included one-time state funding.
- Bond Proposition R expenses during the year were \$42.6 million with an ending cash balance of \$6.7 million at June 30, 2019.
- Bond Proposition Z expenses during the year were \$21.5 million with an ending cash balance of \$123.4 million at June 30, 2019.
- 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 was a positive change of \$2.7 million from a deficit of \$10.7 million at the beginning of the year to a deficit of \$8.0 million as of June 30, 2019.

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2019**

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Basic Financial Statements consist of the following four components:

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

Additional information presented with the Basic Financial Statements includes:

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

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2019**

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, 2019	June 30, 2018	Changes	
Current assets	\$ 181,165,781	\$ 241,092,454	\$ (59,926,673)	-24.9%
Noncurrent assets	419,240,647	367,561,441	51,679,206	14.1%
Total assets	<u>600,406,428</u>	<u>608,653,895</u>	<u>(8,247,467)</u>	<u>-1.4%</u>
Deferred outflows of resources	<u>41,621,515</u>	<u>36,451,626</u>	<u>5,169,889</u>	<u>14.2%</u>
Current liabilities	48,338,712	45,591,551	2,747,161	6.0%
Long-term liabilities	591,086,037	598,161,827	(7,075,790)	-1.2%
Total liabilities	<u>639,424,749</u>	<u>643,753,378</u>	<u>(4,328,629)</u>	<u>-0.7%</u>
Deferred inflows of resources	<u>10,605,981</u>	<u>12,050,835</u>	<u>(1,444,854)</u>	<u>-12.0%</u>
Net position:				
Net investment in capital assets	64,041,032	48,471,163	15,569,869	32.1%
Restricted	30,864,967	36,033,715	(5,168,748)	-14.3%
Unrestricted	<u>(102,908,786)</u>	<u>(95,203,570)</u>	<u>(7,705,216)</u>	<u>8.1%</u>
Total net position	<u>\$ (8,002,787)</u>	<u>\$ (10,698,692)</u>	<u>\$ 2,695,905</u>	<u>-25.2%</u>

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

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

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2019**

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

**Table 2  
Changes in Net Position**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Change</b>	
Operating revenues	\$ 27,613,137	\$ 24,432,915	\$ 3,180,222	13.0%
Operating expenses	(175,210,123)	(165,135,109)	(10,075,014)	6.1%
Deficit before depreciation and Nonoperating income and expenses	(147,596,986)	(140,702,194)	(6,894,792)	4.9%
Depreciation	(7,716,119)	(7,694,139)	(21,980)	0.3%
Non-operating income and expenses, net	158,009,010	158,078,909	(69,899)	0.0%
Increase (decrease) in net position	<u>\$ 2,695,905</u>	<u>\$ 9,682,576</u>	<u>\$ (6,986,671)</u>	<u>-72.2%</u>

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

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

**Table 3  
Statement of Cash Flows**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Cash provided by (used in):		
Operating activities	\$ (145,457,496)	\$ (133,261,992)
Non-capital financing activities	170,161,781	169,977,233
Capital and related financing activities	(99,251,306)	60,723,440
Investing activities	5,796,227	1,543,912
Net change in cash and cash equivalents	(68,750,794)	98,982,593
Cash balance, beginning of year	271,701,948	172,719,355
Cash balance, end of year	<u>\$ 202,951,154</u>	<u>\$ 271,701,948</u>

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2019**

**CAPITAL ASSETS**

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2019. These changes are presented in detail in Note 4 to the financial statements.

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

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Change</b>	
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Buildings	153,707,425	121,373,652	32,333,773	26.6%
Improvements	105,671,282	40,033,731	65,637,551	164.0%
Equipment	2,793,404	2,210,634	582,770	26.4%
Construction in progress	116,500,421	158,206,561	(41,706,140)	-26.4%
Net capital assets	<u>\$ 388,375,680</u>	<u>\$ 331,527,726</u>	<u>\$56,847,954</u>	<u>17.1%</u>

**LONG TERM DEBT**

The following table summarizes the District's long term debt and changes therein for the year ended June 30, 2019. Changes in long term debt are presented in detail in Note 6 to the financial statements.

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

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Change</b>	
<b>Bonds Payable:</b>				
Lease Revenue	\$ 695,000	\$ 795,000	\$ (100,000)	-12.6%
GO Bond, Series 2004	12,993,974	12,993,974	-	0.0%
GO Bond, Series 2005 Refunding Series	-	465,000	(465,000)	-100.0%
Prop R - Series C	65,490,370	65,835,370	(345,000)	-0.5%
Prop R - Series D	115,984,325	116,119,325	(135,000)	-0.1%
GO Bond, Series 2015, Refunding	21,040,000	23,080,000	(2,040,000)	-8.8%
GO Bond 2016, Refunding Series	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	127,900,000	140,000,000	(12,100,000)	100.0%
Unamortized premiums	32,091,206	34,198,781	(2,107,575)	-6.2%
	<u>\$ 463,929,875</u>	<u>\$ 481,222,450</u>	<u>\$ (17,292,575)</u>	<u>-3.6%</u>

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2019**

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**ECONOMIC FACTORS AND 2019-20 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 2019-2020 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 2019-2020 is \$105.8 million compared to FY 18-19 adopted budget of \$100.7 million an 5.1 percent increase.

- General unrestricted revenues consist of California State principal apportionment (including faculty hiring allocation and Proposition 30 Educational Protection Act) of \$62.0 million, property taxes of \$31.5 million, enrollment fees of \$4.7 million, and \$7.6 million in other revenue including lottery proceeds of \$3.0 million and non-resident tuition of \$1.2 million.

The District's FY 2019-2020 General Fund unrestricted budgeted expenses of \$105.2 million compared to FY 2018-2019 budgeted expenses of \$101.7 million, represent an 18.5 percent increase.

Proposition R Bond construction funds that are separate from the General Fund have an expense budget of \$4. 7 million. Proposition Z construction Bond fund has an expense budget of \$113.2 million including projects for the student and performing arts center.

The total District-wide expense budget for all funds in FY 2019-2020 is \$268.0 million:

	FY 19-20 BUDGET
General Fund Summary	136,103,288
Enterprise Fund Summary	5,207,641
Prop Z Construction Bond Fund	113,196,406
Prop R Construction Bond Fund	4,703,458
Civic Center Leasing	450,000
Capital Outlay	2,248,835
Self Insurance	533,333
Associated Student Organization	480,000
Student Success Completion Fund	4,570,538
Student Center Fund	174,568
	\$267,668,067

**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, 2019**

	Primary Government District	Component Unit Foundation
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 35,116,184	\$ 264,980
Investments	27,000	147,118
Accounts receivable, net	7,734,686	2,078
Inventories	1,115,213	-
Prepaid items	64,073	1,525
Due from fiduciary funds	138,622	-
Other assets	-	550
Restricted cash and cash equivalents	136,970,003	284,123
Total current assets	181,165,781	700,374
Noncurrent assets:		
Restricted cash and cash equivalents	30,864,967	-
Restricted investments	-	934,858
Capital assets, net	388,375,680	-
Total noncurrent assets	419,240,647	934,858
<b>Total assets</b>	<b>600,406,428</b>	<b>1,635,232</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension-related deferred outflows	32,565,755	-
OPEB-related deferred outflows	5,441,816	-
Deferred loss on refunding	3,613,944	-
<b>Total deferred outflows of resources</b>	<b>41,621,515</b>	<b>-</b>

**Southwestern Community College District**  
**Statement of Net Position (Continued)**  
**June 30, 2019**

<b>LIABILITIES</b>	Primary Government District	Component Unit Foundation
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	9,522,799	831
Interest payable	6,728,163	-
Payroll and related liabilities	4,751,970	-
Unearned revenue	9,715,780	5,900
Compensated absences - due within one year	2,500,000	-
Bonds payable - due within one year	16,120,000	-
Total current liabilities	49,338,712	6,731
Noncurrent liabilities:		
Compensated absences - due in more than one year	561,828	-
Aggregate net pension liability - due in more than one year	122,272,544	-
Net OPEB liability - due in more than one year	19,441,790	-
Bonds payable - due in more than one year	447,809,875	-
Total noncurrent liabilities	590,086,037	-
<b>Total liabilities</b>	639,424,749	6,731
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension-related deferred inflows	9,528,574	-
OPEB-related deferred inflows	88,687	-
Deferred gain on refunding	988,720	-
<b>Total deferred inflows of resources</b>	10,605,981	-
<b>Net Position:</b>		
Net investment in capital assets	64,041,032	-
Restricted for:		
Special projects	-	1,216,403
Capital projects	-	-
Debt service	30,864,967	-
Total restricted	30,864,967	1,216,403
Unrestricted (deficit) (Note 12)	(102,908,786)	412,098
<b>Total net position (deficit)</b>	\$ (8,002,787)	\$ 1,628,501

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**Southwestern Community College District  
Statement of Activities and Changes in Net Position  
For the Year Ended June 30, 2019**

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$ 8,759,751	\$ -
Grants and contracts, non-capital:		
Federal	6,088,178	-
State	5,981,618	-
Local	2,149,485	-
Total grants and contracts, non-capital	<u>14,219,281</u>	<u>-</u>
Auxiliary enterprise sales and charges, net	4,466,313	-
Other operating revenues	167,792	1,081,822
<b>Total operating revenues</b>	<u>27,613,137</u>	<u>1,081,822</u>
<b>OPERATING EXPENSES:</b>		
Salaries	89,132,623	-
Employee benefits	28,667,362	-
Payments to students	33,043,190	199,514
Supplies, materials, and other expenses	21,364,634	691,942
Utilities	3,002,314	-
Depreciation	7,716,119	-
<b>Total operating expenses</b>	<u>182,926,242</u>	<u>891,456</u>
<b>Operating income (loss)</b>	<u>(155,313,105)</u>	<u>190,366</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>		
Federal grants, non-capital	24,545,889	-
State apportionments, non-capital	86,123,616	-
Local property taxes, non-capital	56,414,418	-
Investment income	5,796,227	96,700
Interest expense	(17,948,998)	-
Other nonoperating revenues (expenses)	3,077,858	-
<b>Total nonoperating revenues (expenses), net</b>	<u>158,009,010</u>	<u>96,700</u>
<b>Changes in net position</b>	2,695,905	287,066
<b>NET POSITION (DEFICIT):</b>		
Beginning of year	(10,698,692)	1,341,435
End of year	<u>\$ (8,002,787)</u>	<u>\$ 1,628,501</u>

**Southwestern Community College District**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2019**

	Primary Government District	Component Unit Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$ 6,869,562	\$ -
Grants and contracts	14,219,281	-
Payments for supplies and services	(135,083,259)	(682,113)
Payments for utilities	(3,002,314)	-
Payments to students	(33,043,190)	(199,514)
Auxiliary enterprise sales and charges	4,466,313	-
Other operating revenues and expenses	116,111	1,085,222
<b>Net cash provided by (used in) operating activities</b>	<u>(145,457,496)</u>	<u>203,595</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Federal Pell Grants	24,545,889	-
State apportionment	86,123,616	-
Local property taxes	56,414,418	-
Other	3,077,858	-
<b>Net cash provided by noncapital financing activities</b>	<u>170,161,781</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(64,815,195)	-
Disposition of capital assets	251,122	-
Principal paid on bonds	(15,185,000)	-
Payment of interest and fees	(19,496,216)	-
<b>Net cash (used in) capital financing activities</b>	<u>(99,245,289)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and investment proceeds	5,796,227	(4,067)
<b>Cash provided by (used in) investing activities</b>	<u>5,796,227</u>	<u>(4,067)</u>
<b>Net increase (decrease) in cash and equivalents</b>	(68,744,777)	199,528
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	271,701,948	349,575
End of year	<u>\$ 202,957,171</u>	<u>\$ 549,103</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:</b>		
Cash and cash equivalents	\$ 35,116,184	\$ 264,980
Restricted cash and investments	167,834,970	284,123
<b>Total cash and cash equivalents</b>	<u>\$ 202,951,154</u>	<u>\$ 549,103</u>

**Southwestern Community College District**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2019**

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (155,313,105)	\$ 190,366
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	7,716,119	-
Change in assets and liabilities:		
Receivables	(3,657,713)	1,116
Inventories	65,756	-
Prepaid items	(11,854)	8,475
Due from fiduciary funds	(51,681)	-
Other assets	-	(550)
Pension-related deferred outflows	100,121	-
OPEB-related deferred outflows	(5,441,816)	-
Accounts payable and accrued liabilities	(143,256)	788
Payroll and related liabilities	(360,311)	-
Unearned revenue	1,767,524	3,400
Aggregate net pension liability	5,858,854	-
Net OPEB liability	5,606,477	-
Pension related deferred inflows	(1,367,752)	-
OPEB-related deferred inflows	88,687	-
Compensated absences	(313,546)	-
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ (145,457,496)</u></u>	<u><u>\$ 203,595</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
<b>Noncash Capital and Related Financing Activities:</b>		
Amortization of deferred gain on bond refunding	\$ 165,789	\$ -
Amortization of deferred loss on bond refunding	(171,806)	-
Amortization of bond premiums	(2,107,575)	-
<b>Total noncash capital and related financing activities</b>	<u><u>\$ (2,113,592)</u></u>	<u><u>\$ -</u></u>

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# FUNDS OF THE DISTRICT

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*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, 2019**

	Associated Student Trusts	Student Service Trust Funds	Total
<b>Assets:</b>			
Cash and investments	\$ 359,607	\$ 1,135,766	\$ 1,495,373
Accounts receivable	5,480	7,907	13,387
Due from District	288,914	-	288,914
Other assets	55,318	-	55,318
<b>Total assets</b>	<b>709,319</b>	<b>1,143,673</b>	<b>1,852,992</b>
<b>Liabilities:</b>			
Due to District	84,949	53,673	138,622
Deposits payable	23,317	-	23,317
Amount held in trust for others	112,245	1,057,317	1,169,562
<b>Total liabilities</b>	<b>220,511</b>	<b>1,110,990</b>	<b>1,331,501</b>
<b>Net Position:</b>			
Unrestricted	488,808	32,683	521,491
<b>Total net position</b>	<b>\$ 488,808</b>	<b>\$ 32,683</b>	<b>\$ 521,491</b>

**Southwestern Community College District**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2019**

	Associated Student Trusts	Student Service Trust Funds	Total
<b>ADDITIONS</b>			
Student fees	\$ 258,490	\$ -	\$ 258,490
Interest and investment income	-	14,365	14,365
Other revenues	2,498	-	2,498
<b>Total additions</b>	<b>260,988</b>	<b>14,365</b>	<b>275,353</b>
<b>DEDUCTIONS</b>			
Salaries and benefits	94,886	-	94,886
Payments to students	42,050	-	42,050
Supplies, materials, and other expenses	194,689	5,694	200,383
<b>Total deductions</b>	<b>331,625</b>	<b>5,694</b>	<b>337,319</b>
<b>Changes in net position</b>	<b>(70,637)</b>	<b>8,671</b>	<b>(61,966)</b>
<b>NET POSITION:</b>			
Beginning of year	559,445	24,012	583,457
End of year	<b>\$ 488,808</b>	<b>\$ 32,683</b>	<b>\$ 521,491</b>

**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, 2019**

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

**A. Reporting Entity**

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

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and any other organization for which the nature and significance of their relationship with the District is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2019:

- 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, 2019**

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

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

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

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

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

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

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

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

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

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

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

Cash, 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, 2019**

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**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 store's 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 unused vacation will be paid to the employee upon leaving the District's employment. The General Fund – Unrestricted is typically used to liquidate compensated absences balances.

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.

**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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**J. Capital Assets (Continued)**

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.

**K. Net Position**

Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation and deferred outflows and deferred inflows 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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**M. Pensions (Continued)**

The following timeframes are used for pension reporting:

CalPERS	
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018
CalSTRS	
Valuation date	June 30, 2017
Measurement date	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018

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

**N. Other Postemployment Benefits (OPEB)**

For purposes of measuring the Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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 OPEB reporting:

OPEB	
Valuation date	June 30, 2018
Measurement date	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018

**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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**O. Property Taxes (Continued)**

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

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

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

**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 \$3,286,017 of revenues and expenditures for on-behalf payments in 2019.

**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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**S. Use of Estimates**

The preparation of the 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, 2019***

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, 2019. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

*GASB Statement No. 83*

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to tangible capital assets should recognize a liability based on guidance in this Statement. Application of this Statement did not affect the District's financial reporting for the fiscal year ended June 30, 2019.

*GASB Statement No. 88*

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Application of this Statement did not affect the District's financial reporting for the year ended June 30, 2019.

**Note 2 – Cash and Investments**

The following is a summary of cash and investments at June 30, 2019:

	<b>Business-Type Activities</b>	<b>Fiduciary Fund Financial Statements</b>	<b>Foundation</b>	<b>Total</b>
Cash and cash equivalents	\$ 35,116,184	\$ 1,495,373	\$ 264,980	\$ 36,876,537
Restricted cash and cash equivalents	167,834,970	-	284,123	168,119,093
<b>Total cash and cash equivalents</b>	<b>202,951,154</b>	<b>1,495,373</b>	<b>549,103</b>	<b>204,995,630</b>
Investments	27,000	-	147,118	174,118
Restricted investments	-	-	934,858	934,858
<b>Total investments</b>	<b>27,000</b>	<b>-</b>	<b>1,081,976</b>	<b>1,108,976</b>
<b>Total cash and investments</b>	<b>\$ 202,978,154</b>	<b>\$ 1,495,373</b>	<b>\$ 1,631,079</b>	<b>\$ 206,104,606</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

Cash, cash equivalents, and investments consisted of the following at June 30, 2019:

	<b>Business-Type Activities</b>	<b>Fiduciary Fund Financial Statements</b>	<b>Foundation</b>	<b>Total</b>
<b>Cash and cash equivalents:</b>				
Cash on hand	\$ 76,572	\$ 2,450	\$ -	\$ 79,022
Cash in bank accounts	5,295,984	1,492,923	549,103	7,338,010
Cash in County treasury	197,578,598	-	-	197,578,598
<b>Total cash and cash equivalents</b>	<b>202,951,154</b>	<b>1,495,373</b>	<b>549,103</b>	<b>204,995,630</b>
<b>Investments:</b>				
Certificates of deposit	27,000	-	-	27,000
Mutual funds	-	-	167,953	167,953
Fixed income	-	-	358,558	358,558
Equities	-	-	440,479	440,479
Closed-end funds and exchange traded products	-	-	114,986	114,986
<b>Total investments</b>	<b>27,000</b>	<b>-</b>	<b>1,081,976</b>	<b>1,108,976</b>
<b>Total cash and investments</b>	<b>\$ 202,978,154</b>	<b>\$ 1,495,373</b>	<b>\$ 1,631,079</b>	<b>\$ 206,104,606</b>

**San Diego County Investment Pool**

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

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

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

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**San Diego County Investment Pool (Continued)**

At June 30, 2019, the District had \$197,578,598 invested in the San Diego County Investment Pool. The District reports its investment in the County Pool at the fair value amounts provided by the County, which is the same value of the pool share. At June 30, 2019, the fair value approximated the District's cost.

**Restricted Cash and Investments**

As of June 30, 2019, the District and Foundation had restricted cash and investments totaling \$167,834,970 and \$1,218,981, 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, 2019, the District's investments had the following recurring fair value measurements:

<b>Investments measured by fair value level:</b>	<b>June 30, 2019</b>	<b>Level 1</b>
Mutual funds	\$ 167,953	\$ 167,953
Fixed income	358,558	358,558
Equities	440,479	440,479
Closed-end funds and exchange traded products	114,986	114,986
<b>Total investments by fair value level</b>	<b>\$ 1,081,976</b>	<b>\$ 1,081,976</b>
<b>Investments not subject to the fair value hierarchy:</b>		
Certificates of deposit	\$ 27,000	
<b>Total investments not subject to the fair value hierarchy</b>	<b>27,000</b>	
<b>Total investments</b>	<b>\$ 1,108,976</b>	

**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, 2019**

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

**Disclosures Relating to Credit Risk**

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

	<b>Business-Type</b>		<b>Moody's</b>	<b>Standard &amp; Poor's</b>
	<b>Activities</b>	<b>Foundation</b>		
	<b>Fair Value</b>	<b>Fair Value</b>		
Mutual funds	\$ -	\$ 167,953	A2	A
Fixed income	-	358,558	A2	A
Equities	-	440,479	Not Rated	Not Rated
Closed-end funds and exchange traded products	-	114,986	Not Rated	Not Rated
Certificates of deposit	27,000	-	Not Rated	Not Rated
	<u>\$ 27,000</u>	<u>\$ 1,081,976</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, 2019**

**Note 3 – Accounts Receivable**

The following is a summary of receivables at June 30, 2019:

	Business-type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Grants:				
Federal	\$ 2,193,631	\$ -	\$ -	\$ 2,193,631
State	1,521,014	-	-	1,521,014
Local	888,857	-	-	888,857
Total grants	<u>4,603,502</u>	<u>-</u>	<u>-</u>	<u>4,603,502</u>
Other	3,131,184	13,387	2,078	3,146,649
<b>Total</b>	<u>\$ 7,734,686</u>	<u>\$ 13,387</u>	<u>\$ 2,078</u>	<u>\$ 7,750,151</u>

**Note 4 – Capital Assets**

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019
<b>Nondepreciable:</b>					
Land	\$ 9,703,148	\$ -	\$ -	\$ -	\$ 9,703,148
Construction in progress	158,206,561	64,141,177	(128,172)	(105,719,145)	116,500,421
<b>Total nondepreciable</b>	<u>167,909,709</u>	<u>64,141,177</u>	<u>(128,172)</u>	<u>(105,719,145)</u>	<u>126,203,569</u>
<b>Depreciable:</b>					
Site improvements	64,005,143	30,299	-	86,345,123	150,380,565
Buildings	164,281,769	-	-	18,707,599	182,989,368
Equipment	8,103,683	643,719	(362,320)	666,423	9,051,505
<b>Total depreciable, at cost</b>	<u>236,390,595</u>	<u>674,018</u>	<u>(362,320)</u>	<u>105,719,145</u>	<u>342,421,438</u>
<b>Less accumulated depreciation:</b>					
Site improvements	(23,971,412)	(3,583,969)	-	(17,153,902)	(44,709,283)
Buildings	(42,908,117)	(3,527,728)	-	17,153,902	(29,281,943)
Equipment	(5,893,049)	(604,422)	239,370	-	(6,258,101)
<b>Total accumulated depreciation</b>	<u>(72,772,578)</u>	<u>(7,716,119)</u>	<u>239,370</u>	<u>-</u>	<u>(80,249,327)</u>
<b>Total depreciable, net</b>	<u>163,618,017</u>	<u>(7,042,101)</u>	<u>(122,950)</u>	<u>105,719,145</u>	<u>262,172,111</u>
<b>Total capital assets, net</b>	<u>\$ 331,527,726</u>	<u>\$ 57,099,076</u>	<u>\$ (251,122)</u>	<u>\$ -</u>	<u>\$ 388,375,680</u>

Depreciation expense for capital assets for the year ended June 30, 2019 was \$7,716,119.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

**Note 5 – Unearned Revenue**

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2019 for the subsequent 2019-2020 year. As of June 30, 2019, the District’s unearned revenue balance consists of the following:

	Business-Type Activities	Fiduciary		Total
		Fund Financial Statements	Foundation	
Federal sources	\$ 153,799	\$ -	\$ -	\$ 153,799
State sources	7,005,353	-	-	7,005,353
Enrollment fees	950,228	-	-	950,228
Other local sources	1,606,400	-	5,900	1,612,300
	<u>\$ 9,715,780</u>	<u>\$ -</u>	<u>\$ 5,900</u>	<u>\$ 9,721,680</u>

**Note 6 – Long-Term Debt**

The following is a summary of the changes in long-term debt for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year	Due In More Than One Year
<b>Bonds payable:</b>						
Lease Revenue Bonds	\$ 795,000	\$ -	\$ (100,000)	\$ 695,000	\$ 100,000	\$ 595,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2005, Refunding Series B	465,000	-	(465,000)	-	-	-
GO Bond 2008, Series C	65,835,370	-	(345,000)	65,490,370	440,000	65,050,370
GO Bond 2008, Series D	116,119,325	-	(135,000)	115,984,325	-	115,984,325
GO Bond 2015, Refunding	23,080,000	-	(2,040,000)	21,040,000	2,230,000	18,810,000
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	-	(12,100,000)	127,900,000	13,350,000	114,550,000
Unamortized premiums	34,198,781	-	(2,107,575)	32,091,206	-	32,091,206
<b>Total bonds payable</b>	<u>481,222,450</u>	<u>-</u>	<u>(17,292,575)</u>	<u>463,929,875</u>	<u>16,120,000</u>	<u>447,809,875</u>
Compensated absences	3,375,374	2,539,034	(2,852,580)	3,061,828	2,500,000	561,828
<b>Total</b>	<u>\$ 484,597,824</u>	<u>\$ 2,539,034</u>	<u>\$ (20,145,155)</u>	<u>\$ 466,991,703</u>	<u>\$ 18,620,000</u>	<u>\$ 448,371,703</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, 2019**

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

**Lease Revenue Bonds (Continued)**

The District pledged all lease revenue to repay the outstanding principal and interest of the Lease Revenue Bonds. Total principal and interest remaining on the bonds at June 30, 2019 is \$771,328 payable through 2024.

The annual requirements for debt service outstanding at June 30, 2019 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 695,000</b>	<b>\$ 76,328</b>	<b>\$ 771,328</b>

**General Obligation Bonds – 2004**

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

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

The annual requirements for debt service outstanding at June 30, 2019 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	1,237,906	1,237,906
2025-2029	11,441,775	26,076,719	37,518,494
2030	1,552,199	2,126,401	3,678,600
<b>Total</b>	<b>\$ 12,993,974</b>	<b>\$ 29,441,026</b>	<b>\$ 42,435,000</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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**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. The remaining balance of the liability was paid in fiscal year 2019.

**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 \$4,550,000 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, 2019.

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

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

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

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

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

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

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, 2019 are as follows:

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
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	900,000	2,655,613	3,555,613
2025-2029	6,695,000	12,407,188	19,102,188
2030-2034	11,360,000	10,154,494	21,514,494
2035-2039	17,855,000	6,396,463	24,251,463
2040-2044	21,706,155	47,770,366	69,476,521
2045-2047	4,559,215	48,077,716	52,636,931
<b>Total</b>	<b>\$ 65,490,370</b>	<b>\$ 138,443,667</b>	<b>\$ 203,934,037</b>

Year Ending June 30,	SERIES D		
	Principal	Interest	Total
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	1,063,335	3,994,665	5,058,000
2025-2029	8,515,421	23,164,577	31,679,998
2030-2034	12,359,405	32,210,593	44,569,998
2035-2039	15,271,979	45,938,021	61,210,000
2040-2044	58,908,100	20,813,899	79,721,999
2045-2046	18,230,000	455,750	18,685,750
<b>Total</b>	<b>\$ 115,984,325</b>	<b>\$ 141,658,419</b>	<b>\$ 257,642,744</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**General Obligation Refunding Bonds – 2015**

In August 2014, the District authorized the sale and issuance of 2015 General Obligation Refunding Bonds, in the amount of \$27,045,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District’s 2005 General Obligation Bonds, Election of 2000, Series 2005. Interest is payable February 1 and August 1, commencing August 1, 2015 at 5.0%. Principal is payable August 1, commencing August 1, 2015 and through the maturity date February 1, 2026. The bonds were issued at a premium of \$4,030,391 and the refunding transaction resulted in a deferred loss on refunding of \$1,823,862 to be amortized through the remaining life of the new bonds. The aggregate debt service payments of the new debt are \$3,698,626 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt service payments) of approximately \$3,247,455. Total principal and interest remaining on the bonds as of June 30, 2019 is \$25,104,000.

The annual requirements for debt service outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	3,250,000	452,250	3,702,250
2025-2026	7,420,000	379,000	7,799,000
<b>Total</b>	<b>\$ 21,040,000</b>	<b>\$ 4,064,000</b>	<b>\$ 25,104,000</b>

**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, 2019 is \$3,607,000 and \$132,005,750 for Series A and Series B, respectively.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**General Obligation Refunding Bonds – 2016 Series A and B (Continued)**

The annual requirements for debt service outstanding at June 30, 2019 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2020	\$ -	\$ 102,000	\$ 102,000
2021	1,600,000	78,000	1,678,000
2022	1,800,000	27,000	1,827,000
<b>Total</b>	<b>\$ 3,400,000</b>	<b>\$ 207,000</b>	<b>\$ 3,607,000</b>

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
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	2,150,000	3,271,900	5,421,900
2025-2029	14,795,000	14,716,600	29,511,600
2030-2034	23,315,000	10,747,550	34,062,550
2035-2039	33,860,000	5,242,200	39,102,200
2040	8,310,000	166,200	8,476,200
<b>Total</b>	<b>\$ 84,335,000</b>	<b>\$ 47,670,750</b>	<b>\$ 132,005,750</b>

At June 30, 2019, the refunded 2008 General Obligation Bonds, Series A and Series B had remaining balances to be paid through escrow of \$4,550,000 and \$89,775,000, respectively. The District has no liability for them.

**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, 2019 is \$218,157,975.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**General Obligation Bonds – 2016 Series A (Continued)**

The annual requirements for debt service outstanding at June 30, 2019 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
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	160,000	4,127,543	4,287,543
2025-2029	3,795,000	20,276,915	24,071,915
2030-2034	10,535,000	18,637,465	29,172,465
2035-2039	19,650,000	15,748,265	35,398,265
2040-2044	32,025,000	10,872,715	42,897,715
2045-2048	37,595,000	3,160,900	40,755,900
<b>Total</b>	<b>\$ 127,900,000</b>	<b>\$ 90,257,975</b>	<b>\$ 218,157,975</b>

**Compensated Absences**

The District's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$3,061,828 at June 30, 2019.

**Notes 7 – Other Postemployment 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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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**Notes 7 – Other Postemployment Benefits (Continued)**

**Employees Covered by Benefit Terms**

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

**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 \$878,349 during fiscal year 2019. At June 30, 2019, the market value of the irrevocable trust was \$5,446,752.

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). For the fiscal year ended June 30, 2019, the District’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, 2018, and the actuarial valuation used to calculate the net OPEB liability was as of June 30, 2017.

**Actuarial Assumptions Used to Determine the Total OPEB Liability**

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

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Assumptions:	
Discount Rate	4.40%
Inflation	2.75%
Expected Net Long-Term Rate of Return on Investments	4.40%
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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

**Notes 7 – Other Postemployment Benefits (Continued)**

**Net OPEB Liability (Continued)**

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 4.40 percent, which was changed from 6.50 percent in the 2018. 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.

***Changes in Net OPEB Liability***

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
<b>Balance at June 30, 2017</b>	\$ 18,062,870	\$ 4,227,557	\$ 13,835,313
<b>Changes during the year:</b>			
Service costs	803,347	-	803,347
Interest on the total OPEB liability	793,810	-	793,810
Changes of benefit terms	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Differences between actual and expected experience	-	-	-
Change in assumptions	5,148,527	-	5,148,527
Contributions - employer	-	846,834	(846,834)
Contribution - employer (paid by employer)	-	-	-
Net investment income	-	296,861	(296,861)
Administrative expenses	-	(4,488)	4,488
Benefit Payments, including refunds of employee contributions	(846,834)	(846,834)	-
<b>Net changes</b>	<b>5,898,850</b>	<b>292,373</b>	<b>5,606,477</b>
<b>Balance at June 30, 2018</b>	<b>\$ 23,961,720</b>	<b>\$ 4,519,930</b>	<b>\$ 19,441,790</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

**Notes 7 – Other Postemployment Benefits (Continued)**

**Net OPEB Liability (Continued)**

*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 4.40%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.40%) or 1 percentage point higher (5.40%) than the current rate:

Plan's Net OPEB Liability		
Discount Rate - 1% (3.40%)	Current Discount Rate (4.40%)	Discount Rate + 1% (5.40%)
\$ 22,826,986	\$ 19,441,790	\$ 17,046,921

*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:

Plan's Net OPEB Liability		
Cost Trend Rate - 1% (3.00%)	Healthcare Cost Trend Rates Current Trend (4.00% )	Cost Trend Rate + 1% (5.00%)
\$ 17,150,153	\$ 19,441,790	\$ 22,370,041

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

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after measurement date	\$ 878,349	\$ -
Changes in assumptions	4,563,467	-
Difference between expected and actual earnings on investments	-	88,687
Total	\$ 5,441,816	\$ 88,687

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,974,543. The \$878,349 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as pension expense as follows:

Measurement Period Ended June 30	
2019	\$ 562,888
2020	562,888
2021	562,888
2022	562,889
2023	585,060
Thereafter	1,638,167
	\$ 4,474,780

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

**Note 8 – Pension Plans**

**A. Summary**

Net Pension Liability

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

	<b>Net Pension Liability</b>
CalPERS Pension Plan	\$ 53,342,294
CalSTRS Pension Plan	68,930,250
<b>Total</b>	<b>\$ 122,272,544</b>

Deferred Outflows of Resources

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

	<b>Deferred Outflows of Resources</b>		
	<b>CalPERS</b>	<b>CalSTRS</b>	<b>Total</b>
Pension contribution made after measurement date	\$ 5,119,561	\$ 7,178,963	\$ 12,298,524
Difference between expected and actual experience	3,496,925	-	3,496,925
Changes in assumptions	5,325,993	10,708,500	16,034,493
Difference between projected and actual earnings on pension plan investments	437,527	-	437,527
Difference between employer contribution and proportionate share of contributions	-	298,286	298,286
<b>Total deferred outflows of resources</b>	<b>\$ 14,380,006</b>	<b>\$ 18,185,749</b>	<b>\$ 32,565,755</b>

Deferred Inflows of Resources

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

	<b>Deferred Inflows of Resources</b>		
	<b>CalPERS</b>	<b>CalSTRS</b>	<b>Total</b>
Difference between expected and actual experience	\$ -	\$ 787,500	\$ 787,500
Difference between projected and actual earnings on pension plan investments	-	2,654,250	2,654,250
Difference between employer contribution and proportionate share of contributions	146,017	-	146,017
Changes in employer's proportionate share	535,198	5,405,609	5,940,807
<b>Total deferred inflows of resources</b>	<b>\$ 681,215</b>	<b>\$ 8,847,359</b>	<b>\$ 9,528,574</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

**A. Summary (Continued)**

Pension Expense

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

	<b>Pension Expense</b>
CalPERS Pension Plan	\$ 10,242,069
CalSTRS Pension Plan	7,716,750
<b>Total</b>	<b>\$ 17,958,819</b>

**B. CalPERS Pension Plan**

Plan Description

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

Benefits Provided

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

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

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

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

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

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%.

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, 2018 (the measurement date), the active contribution rate was 7.0% (non-PEPRA) and 6.5% (PEPRA) of annual payroll. The required employer's contribution rate was 15.531% of annual payroll.

For the year ended June 30, 2019, the plan's proportionate share of aggregate employer contributions made was as follows:

	<b>CalPERS Plan</b>
Contributions - employer	<u><u>\$ 5,119,561</u></u>

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

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

As of June 30, 2019, 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: 6/30/17 (Valuation date)	\$ 170,573,787	\$ 122,594,557	\$ 47,979,230
Balance at: 6/30/18 (Measurement date)	182,973,443	129,631,149	53,342,294
Net Changes during 2017-2018	\$ 12,399,656	\$ 7,036,592	\$ 5,363,064

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, 2017). 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, 2018). 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, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-18).
- (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, 2017 and 2018 was as follows:

	<u>CalPERS Plan</u>
Proportion June 30, 2017	0.20098%
Proportion June 30, 2018	0.20006%
Change - Increase (Decrease)	<u>-0.00092%</u>

For the year ended June 30, 2019, the District recognized pension expense in the amount of \$10,242,069 for the Plan.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

**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 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 2017-18 measurement period is 4.0 years, which was obtained by dividing the total service years of the active employees by the total number of participants (active, inactive, and retired).

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>CalPERS Plan</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Contributions made after the measurement date	\$ 5,119,561	\$ -
Difference between projected and actual earning on pension plan investments	437,527	-
Difference between expected and actual experience	3,496,925	-
Changes in assumptions	5,325,993	-
Changes in employer's proportionate share	-	535,198
Difference between District contributions and proportionate share of contributions	-	146,017
Total	<b>\$ 14,380,006</b>	<b>\$ 681,215</b>

For the Plan, \$5,119,561 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	<b>Deferred Outflows/ (Inflows) of Resources</b>
2020	\$ 5,193,708
2021	3,833,733
2022	(133,363)
2023	(314,848)
2024	-
Thereafter	-
	<b>\$ 8,579,230</b>

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 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	2.50%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.15%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2014. 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, 2016.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

<sup>1</sup> An expected inflation of 2.0% was used for this period.

<sup>2</sup> An expected inflation of 2.92% was used for this period.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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**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% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
\$ 77,663,829	\$ 53,342,294	\$ 33,164,099

*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, 2019.

*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, 2019**

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

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

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, 2018 (the measurement date), the active contribution rate was 10.25% of annual payroll for the Plan. The average employer’s contribution rate was 14.43% 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 year ended June 30, 2019, the Plan’s proportionate share of aggregate employer contributions made for the Plan was as follows:

	<b>CalSTRS Plan</b>
Contributions - employer	\$ 7,178,963
Contributions - State on-behalf payments	3,286,017
<b>Total contributions</b>	<b>\$ 10,464,980</b>

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

<b>Year Ended June 30,</b>	<b>Contribution Rate</b>	<b>Contribution Amount</b>
2017	12.200%	\$ 2,366,680
2018	11.700%	2,907,777
2019	11.700%	3,286,017

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

**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, 2018, and the total pension liability the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate shares of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

	<b>Increase (Decrease)</b>		
	<b>Plan Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Plan Net Pension Liability/(Asset)</b>
Balance at: 6/30/17 (Valuation date)	\$ 224,049,060	\$ 155,614,600	\$ 68,434,460
Balance at: 6/30/18 (Measurement date)	237,582,000	168,651,750	68,930,250
Net Changes during 2017-2018	<u>\$ 13,532,940</u>	<u>\$ 13,037,150</u>	<u>\$ 495,790</u>

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, 2017). 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, 2018). 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, 2017 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).

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

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

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

The District’s proportionate share of the net pension liability as of June 30, 2017 and 2018 was as follows:

	<b>CalSTRS Plan</b>
Proportion June 30, 2017	0.07400%
Proportion June 30, 2018	0.07500%
Change - Increase (Decrease)	0.00100%

For the year ended June 30, 2019, the District recognized pension expense in the amount of \$7,716,750 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 2017-18 measurement period is 7 years.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Contributions made after the measurement date	\$ 7,178,963	\$ -
Difference between projected and actual earning on pension plan investments	-	2,654,250
Difference between expected and actual experience	-	787,500
Changes in assumptions	10,708,500	-
Changes in employer's proportionate share	-	5,405,609
Difference between District contributions and proportionate share of contributions	298,286	-
Total	\$ 18,185,749	\$ 8,847,359

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

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

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

For the Plan, \$7,178,963 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	<b>Deferred Outflows/ (Inflows) of Resources</b>
2020	\$ 1,341,029
2021	(376,293)
2022	(1,075,996)
2023	705,730
2024	1,420,867
Thereafter	144,090
	\$ 2,159,427

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

For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 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

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, 2019**

**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 7.0%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

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

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return <sup>1</sup>
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
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%
	<u>100%</u>	

<sup>1</sup>20-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 7.10%, 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 (6.10%) or one percentage point higher (8.10%) 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%)
\$ 100,974,750	\$ 68,930,250	\$ 42,362,250

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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

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

*Pension Plan Fiduciary Net Position*

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

**Note 9 – Risk Management**

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

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

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

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

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

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

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

**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.

**Southwestern Community College District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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**Note 11 – Commitments and Contingencies (Continued)**

**Grants and Contracts**

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

**Construction Contracts**

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$34,211,162 remaining on open construction contracts as of June 30, 2019.

**Note 12 – Deficit Net Position**

At June 30, 2019 the District had an unrestricted net position deficit of \$(102,908,786) and a total net position deficit of \$(8,002,787). These deficits were caused by the reporting of the net pension liability and net OPEB liability.

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**REQUIRED SUPPLEMENTARY INFORMATION.**

**Southwestern Community College District**  
**Schedule of Changes in Proportionate Share of the Net Pension Liability**  
**Last Ten Years**  
**For the Year Ended June 30, 2019**

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

Measurement Period	June 30, 2014 <sup>1</sup>	June 30, 2015 <sup>1</sup>	June 30, 2016 <sup>1</sup>	June 30, 2017 <sup>1</sup>	June 30, 2018 <sup>1</sup>
District's Proportion of the Net Pension Liability	0.20990%	0.20900%	0.19845%	0.20098%	0.20006%
District's Proportionate Share of the Net Pension Liability	\$ 23,828,761	\$ 30,806,804	\$ 39,193,398	\$ 47,979,230	\$ 53,342,294
District's Covered-Employee Payroll	\$ 22,245,705	\$ 23,993,385	\$ 24,031,265	\$ 24,659,008	\$ 26,109,642
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>107.12%</u>	<u>128.40%</u>	<u>163.09%</u>	<u>194.57%</u>	<u>204.30%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>83.38%</u>	<u>79.43%</u>	<u>79.43%</u>	<u>71.87%</u>	<u>70.85%</u>

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

Measurement Period	June 30, 2014 <sup>1</sup>	June 30, 2015 <sup>1</sup>	June 30, 2016 <sup>1</sup>	June 30, 2017 <sup>1</sup>	June 30, 2018 <sup>1</sup>
District's Proportion of the Net Pension Liability	0.08000%	0.08000%	0.07787%	0.07400%	0.07500%
District's Proportionate Share of the net Pension Liability	\$ 46,749,600	\$ 53,859,200	\$ 62,982,608	\$ 68,434,460	\$ 68,930,250
District's Covered-Employee Payroll	\$ 35,763,671	\$ 39,853,588	\$ 38,688,844	\$ 39,727,305	\$ 41,966,316
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>130.72%</u>	<u>135.14%</u>	<u>162.79%</u>	<u>172.26%</u>	<u>164.25%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>76.52%</u>	<u>74.02%</u>	<u>74.02%</u>	<u>69.46%</u>	<u>70.99%</u>

**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.

<sup>1</sup> 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, 2019**

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

	2013-14 <sup>1</sup>	2014-15 <sup>1</sup>	2015-16 <sup>1</sup>	2016-17 <sup>1</sup>	2017-18 <sup>1</sup>	2018-19 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 2,545,353	\$ 2,824,261	\$ 2,824,088	\$ 3,424,643	\$ 4,055,088	\$ 5,119,561
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(2,545,353)	(2,824,261)	(2,824,088)	(3,424,643)	(4,055,088)	(5,119,561)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll <sup>3</sup>	\$ 22,245,705	\$ 23,993,385	\$ 24,713,187	\$ 24,659,008	\$ 26,109,642	\$ 26,892,931
Contributions as a Percentage of Covered Payroll	11.44%	11.77%	11.43%	13.89%	15.53%	19.04%

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

	2013-14 <sup>1</sup>	2014-15 <sup>1</sup>	2015-16 <sup>1</sup>	2016-17 <sup>1</sup>	2017-18 <sup>1</sup>	2018-19 <sup>1</sup>
Actuarially Determined Contribution	\$ 2,954,523	\$ 3,539,234	\$ 4,510,356	\$ 4,997,695	\$ 6,055,739	\$ 7,178,963
Contribution in Relation to the Actuarially Determined Contribution	(2,954,523)	(3,539,234)	(4,510,356)	(4,997,695)	(6,055,739)	(7,178,963)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll <sup>3</sup>	\$ 35,763,671	\$ 39,853,588	\$ 41,049,196	\$ 39,727,305	\$ 41,966,316	\$ 43,904,504
Contributions as a Percentage of Covered Payroll	8.26%	8.88%	10.99%	12.58%	14.43%	16.35%

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

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

<sup>3</sup> Covered Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered 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% for the June 30, 2017 valuation date.

**Southwestern Community College District**  
**Schedule of Changes in Net OPEB Liabilities and Related Ratios**  
**Last Ten Years**  
**For the Year Ended June 30, 2019**

	2018	2019
Measurement period, year ended:	2016-2017	2017-2018
<b>Total OPEB liability</b>		
Service cost	\$ 781,846	\$ 803,347
Interest	1,103,513	793,810
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	5,148,527
Benefit payments, including refunds of member contributions	(838,883)	(846,834)
<b>Net change in total OPEB liability</b>	1,046,476	5,898,850
<b>Total OPEB liability - beginning</b>	17,016,394	18,062,870
<b>Total OPEB liability - ending (a)</b>	<u>\$ 18,062,870</u>	<u>\$ 23,961,720</u>
<b>OPEB fiduciary net position</b>		
Contributions - employer	\$ 1,180,577	\$ 846,834
Net investment income	345,663	296,861
Benefit payments, including refunds of member contributions	(838,883)	(846,834)
Administrative expense	(500)	(4,488)
<b>Net change in plan fiduciary net position</b>	686,857	292,373
<b>Plan fiduciary net position - beginning</b>	3,540,700	4,227,557
<b>Plan fiduciary net position - ending (b)</b>	4,227,557	4,519,930
<b>Plan net OPEB liability - ending (a) - (b)</b>	<u>\$ 13,835,313</u>	<u>\$ 19,441,790</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	30.56%	23.25%
<b>Covered payroll</b>	\$ 48,511,146	\$ 49,966,480
<b>Plan net OPEB liability as a percentage of covered payroll</b>	28.52%	38.91%

\* Information is only available for periods in which GASB 75 is applicable.

**Southwestern Community College District**  
**Schedule of Contributions – OPEB**  
**Last Ten Years**  
**For the Year Ended June 30, 2019**

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<b>For the Measurement Period:</b>	2018	2019
	2016-2017	2017-2018
Actuarially determined contribution	\$ 1,180,577	\$ 878,349
Contributions in relation to the actuarially determined contribution	(1,180,577)	(878,349)
Contribution deficiency (excess)	\$ -	\$ -
 Covered-employee payroll	 \$ 48,511,146	 \$ 49,966,480
Contributions as a percentage of covered payroll	2.43%	1.76%

\* Information is only available for periods in which GASB 75 is applicable.

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**SUPPLEMENTARY INFORMATION**

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# FUNDS OF THE DISTRICT

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

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

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

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

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

**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, 2019**

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Prop Z Bond Fund
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 26,606,612	\$ -	\$ 2,586,817	\$ -	\$ -
Accounts receivable	1,879,827	3,952,221	25,158	125,988	1,417,142
Inventories	58,357	-	-	-	-
Prepaid items	64,073	-	-	-	-
Due from other funds	2,128,413	-	-	-	-
Due from Fiduciary	138,622	-	-	-	-
Restricted cash and investments	-	6,735,521	-	6,770,839	123,463,643
<b>Total current assets</b>	<b>30,875,904</b>	<b>10,687,742</b>	<b>2,611,975</b>	<b>6,896,827</b>	<b>124,880,785</b>
Noncurrent assets:					
Restricted cash and investments	-	-	-	-	-
Capital assets, net	-	-	-	-	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 30,875,904</b>	<b>\$ 10,687,742</b>	<b>\$ 2,611,975</b>	<b>\$ 6,896,827</b>	<b>\$ 124,880,785</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 2,242,602	\$ 965,515	\$ 31,599	\$ 2,177,701	\$ 3,541,612
Payroll and related liabilities	4,732,911	-	-	-	-
Compensated absences	3,061,828	-	-	-	-
Unearned revenue	950,739	8,624,103	-	-	-
Due to other funds	1,924	70,000	-	25,631	-
<b>Total liabilities</b>	<b>10,990,004</b>	<b>9,659,618</b>	<b>31,599</b>	<b>2,203,332</b>	<b>3,541,612</b>
<b>Fund balances</b>	<b>19,885,900</b>	<b>1,028,124</b>	<b>2,580,376</b>	<b>4,693,495</b>	<b>121,339,173</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,875,904</b>	<b>\$ 10,687,742</b>	<b>\$ 2,611,975</b>	<b>\$ 6,896,827</b>	<b>\$ 124,880,785</b>

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)**  
**June 30, 2019**

	Student Center	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 371,501	\$ -	\$ 1,478,627	\$ 783,231	\$ 2,060,824
Accounts receivable	1,065	-	289,011	11,862	20,569
Inventories	-	-	1,011,242	45,592	-
Prepaid items	-	-	-	-	-
Due from other funds	-	-	30,448	26,435	70,000
Due from Fiduciary	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total current assets	<u>372,566</u>	<u>-</u>	<u>2,809,328</u>	<u>867,120</u>	<u>2,151,393</u>
Noncurrent assets:					
Restricted cash and investments	-	30,864,967	-	-	-
Capital assets, net	-	-	-	12,975	-
Total noncurrent assets	<u>-</u>	<u>30,864,967</u>	<u>-</u>	<u>12,975</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 372,566</u></u>	<u><u>\$ 30,864,967</u></u>	<u><u>\$ 2,809,328</u></u>	<u><u>\$ 880,095</u></u>	<u><u>\$ 2,151,393</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 81,329	\$ 15,064	\$ 1,862
Payroll and related liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Unearned revenue	-	-	35,187	19,854	-
Due to other funds	-	-	260,101	447,640	1,450,000
Total liabilities	<u>-</u>	<u>-</u>	<u>376,617</u>	<u>482,558</u>	<u>1,451,862</u>
<b>Fund balances</b>	<u>372,566</u>	<u>30,864,967</u>	<u>2,432,711</u>	<u>397,537</u>	<u>699,531</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 372,566</u></u>	<u><u>\$ 30,864,967</u></u>	<u><u>\$ 2,809,328</u></u>	<u><u>\$ 880,095</u></u>	<u><u>\$ 2,151,393</u></u>

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)**  
**June 30, 2019**

	Fitness Center	Self Insurance	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 338,523	\$ 917,049	\$ 35,143,184
Accounts receivable	1,810	10,033	7,734,686
Inventories	22	-	1,115,213
Prepaid items	-	-	64,073
Due from other funds	-	-	2,255,296
Due from Fiduciary	-	-	138,622
Restricted cash and investments	-	-	136,970,003
<b>Total current assets</b>	<b>340,355</b>	<b>927,082</b>	<b>183,421,077</b>
Noncurrent assets:			
Restricted cash and investments	-	-	30,864,967
Capital assets, net	-	-	12,975
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>30,877,942</b>
<b>Total assets</b>	<b>\$ 340,355</b>	<b>\$ 927,082</b>	<b>\$ 214,299,019</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 465,515	\$ -	\$ 9,522,799
Payroll and related liabilities	19,059	-	4,751,970
Compensated absences	-	-	3,061,828
Unearned revenue	85,897	-	9,715,780
Due to other funds	-	-	2,255,296
<b>Total liabilities</b>	<b>570,471</b>	<b>-</b>	<b>29,307,673</b>
<b>Fund balances</b>	<b>(230,116)</b>	<b>927,082</b>	<b>184,991,346</b>
<b>Total liabilities and fund balances</b>	<b>\$ 340,355</b>	<b>\$ 927,082</b>	<b>\$ 214,299,019</b>

**Southwestern Community College District**  
**Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances**  
**to Basic Statement of Net Position**  
**June 30, 2019**

<b>Total Fund Balances reported in the Combining Balance Sheet</b>	<u>\$ 184,991,346</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	388,375,680
Less enterprise funds capital assets	<u>(12,975)</u>
Total capital assets not reported in the funds	<u>388,362,705</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	(122,272,544)
Net OPEB liability	(19,441,790)
Bonds payable - due within one year	(16,120,000)
Bonds payable - due in more than one year	<u>(447,809,875)</u>
Total long-term liabilities not reported in the funds	<u>(605,644,209)</u>
Deferred loss on bond refunding did not require current financial resources. Therefore, it is not reported in the governmental funds.	3,613,944
Deferred gain on bond refunding did not require current financial resources. Therefore, it is not reported in the governmental funds.	(988,720)
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
Pension-related deferred outflows	32,565,755
OPEB-related deferred outflows	<u>5,441,816</u>
Total actuarially determined deferred outflows of resources	<u>38,007,571</u>
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
Pension-related deferred inflows	(9,528,574)
OPEB-related deferred inflows	<u>(88,687)</u>
Total actuarially determined deferred inflows of resources	<u>(9,617,261)</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds.	<u>(6,728,163)</u>
<b>Net Position</b>	<u><u>\$ (8,002,787)</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, 2019**

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Prop Z Bond Fund
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 6,046,711	\$ 1,393,594	\$ -	\$ -	\$ -
Federal grant, non-capital	257,016	4,137,364	-	-	-
State grant, non-capital	-	-	-	-	-
Local grant, non-capital	888,847	1,260,638	-	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-
Other operating revenues	-	-	-	-	-
<b>Total operating revenues</b>	<u>7,192,574</u>	<u>6,791,596</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENDITURES/EXPENSES:</b>					
Salaries	67,473,734	14,353,459	-	67,089	-
Employee benefits	23,288,802	4,531,310	-	22,684	-
Payments to students	69,185	1,200,440	-	-	-
Supplies, materials, and other expenses	9,159,276	7,354,117	1,795,585	42,538,731	21,543,223
Utilities	2,988,899	9,634	-	-	-
Depreciation	-	-	-	-	-
<b>Total operating expenditures/expenses</b>	<u>102,979,896</u>	<u>27,448,960</u>	<u>1,795,585</u>	<u>42,628,504</u>	<u>21,543,223</u>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<u>(95,787,322)</u>	<u>(20,657,364)</u>	<u>(1,795,585)</u>	<u>(42,628,504)</u>	<u>(21,543,223)</u>
<b>NONOPERATING REVENUE(EXPENSES):</b>					
Federal grant, non-capital	-	-	-	-	-
State apportionments, non-capital	67,551,428	18,572,188	-	-	-
Local property taxes, non-capital	27,572,876	-	-	-	-
Investment income	898,706	-	78,544	785,788	3,617,507
Other non-operating revenue(expense)	1,676,073	887,932	544,186	-	-
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total non-operating expenditures/expenses</b>	<u>97,699,083</u>	<u>19,460,120</u>	<u>622,730</u>	<u>785,788</u>	<u>3,617,507</u>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<u>1,911,761</u>	<u>(1,197,244)</u>	<u>(1,172,855)</u>	<u>(41,842,716)</u>	<u>(17,925,716)</u>
<b>TRANSFERS:</b>					
Transfers in	206,558	1,154,439	-	-	-
Transfers out	(1,128,751)	(232,246)	-	-	-
<b>Transfers</b>	<u>(922,193)</u>	<u>922,193</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in fund balance/net position</b>	989,568	(275,051)	(1,172,855)	(41,842,716)	(17,925,716)
<b>FUND EQUITY/NET POSITION:</b>					
Beginning of year	18,896,332	1,303,175	3,753,231	46,536,211	139,264,889
End of year	<u>\$ 19,885,900</u>	<u>\$ 1,028,124</u>	<u>\$ 2,580,376</u>	<u>\$ 4,693,495</u>	<u>\$ 121,339,173</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, 2019**

	Student Center	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 144,565	\$ -	\$ -	\$ -	\$ -
Federal grant, non-capital	-	-	-	-	1,693,798
State grant, non-capital	-	-	-	-	5,981,618
Local grant, non-capital	-	-	-	-	-
Auxiliary enterprise sales and charges	-	-	2,600,545	1,865,768	-
Other operating revenues	-	-	-	-	-
<b>Total operating revenues</b>	<b>144,565</b>	<b>-</b>	<b>2,600,545</b>	<b>1,865,768</b>	<b>7,675,416</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>					
Salaries	-	-	523,360	794,470	-
Employee benefits	-	-	166,162	230,621	-
Payments to students	-	-	-	-	31,773,565
Supplies, materials, and other expenses	55,278	-	1,908,673	1,293,618	-
Utilities	-	-	2,758	1,023	-
Depreciation	-	-	205	10,095	-
<b>Total operating expenditures/expenses</b>	<b>55,278</b>	<b>-</b>	<b>2,601,158</b>	<b>2,329,827</b>	<b>31,773,565</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>89,287</b>	<b>-</b>	<b>(613)</b>	<b>(464,059)</b>	<b>(24,098,149)</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>					
Federal grant, non-capital	-	-	-	-	24,545,889
State apportionments, non-capital	-	-	-	-	-
Local property taxes, non-capital	-	28,841,542	-	-	-
Investment income	3,399	386,980	628	-	180
Other non-operating revenue(expense)	-	190,082	30,707	-	-
Debt service:					
Principal payment	(100,000)	(15,085,000)	-	-	-
Interest and fiscal charges	-	(19,502,352)	-	-	-
<b>Total non-operating expenditures/expenses</b>	<b>(96,601)</b>	<b>(5,168,748)</b>	<b>31,335</b>	<b>-</b>	<b>24,546,069</b>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<b>(7,314)</b>	<b>(5,168,748)</b>	<b>30,722</b>	<b>(464,059)</b>	<b>447,920</b>
<b>TRANSFERS:</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balance/net position</b>	<b>(7,314)</b>	<b>(5,168,748)</b>	<b>30,722</b>	<b>(464,059)</b>	<b>447,920</b>
<b>FUND EQUITY/NET POSITION:</b>					
Beginning of year	379,880	36,033,715	2,401,989	861,596	251,611
End of year	<u>\$ 372,566</u>	<u>\$ 30,864,967</u>	<u>\$ 2,432,711</u>	<u>\$ 397,537</u>	<u>\$ 699,531</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, 2019**

	Fitness Center	Self Insurance	Total
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 1,174,881	\$ -	\$ 8,759,751
Federal grant, non-capital	-	-	6,088,178
State grant, non-capital	-	-	5,981,618
Local grant, non-capital	-	-	2,149,485
Auxiliary enterprise sales and charges	-	-	4,466,313
Other operating revenues	40,738	127,054	167,792
<b>Total operating revenues</b>	<b>1,215,619</b>	<b>127,054</b>	<b>27,613,137</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>			
Salaries	1,075,940	-	84,288,052
Employee benefits	300,729	127,054	28,667,362
Payments to students	-	-	33,043,190
Supplies, materials, and other expenses	531,328	-	86,179,829
Utilities	-	-	3,002,314
Depreciation	-	-	10,300
<b>Total operating expenditures/expenses</b>	<b>1,907,997</b>	<b>127,054</b>	<b>235,191,047</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>(692,378)</b>	<b>-</b>	<b>(207,577,910)</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>			
Federal grant, non-capital	-	-	24,545,889
State apportionments, non-capital	-	-	86,123,616
Local property taxes, non-capital	-	-	56,414,418
Investment income	16	24,479	5,796,227
Other non-operating revenue(expense)	-	-	3,328,980
Debt service:			
Principal payment	-	-	(15,185,000)
Interest and fiscal charges	-	-	(19,502,352)
<b>Total non-operating expenditures/expenses</b>	<b>16</b>	<b>24,479</b>	<b>141,521,778</b>
<b>INCOME(LOSS) BEFORE TRANSFERS</b>	<b>(692,362)</b>	<b>24,479</b>	<b>(66,056,132)</b>
<b>TRANSFERS:</b>			
Transfers in	-	-	1,360,997
Transfers out	-	-	(1,360,997)
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in fund balance/net position</b>	<b>(692,362)</b>	<b>24,479</b>	<b>(66,056,132)</b>
<b>FUND EQUITY/NET POSITION:</b>			
Beginning of year	462,246	902,603	251,047,478
End of year	<u>\$ (230,116)</u>	<u>\$ 927,082</u>	<u>\$ 184,991,346</u>

**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, 2019**

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<b>Revenues and other financing sources over (under) expenditures/expenses and other financing use:</b>	<u>\$ (66,056,132)</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>64,815,195</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>(251,122)</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 \$10,300 in enterprise funds).	<u>(7,705,819)</u>
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, accrued interest was not reported as an expenditure in governmental funds.	<u>(548,204)</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	100,000
General Obligation bonds	<u>15,085,000</u>
Total repayment of long-term liabilities	<u>15,185,000</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	(2,107,575)
Deferred gain and loss on refunding	<u>(6,017)</u>
Total amortization expenses	<u>(2,113,592)</u>
Changes in the net pension liability and related deferred outflows and deferred inflows reported in the Statement of Activities did not require the use of current financial resources and, therefore, were not reported as expenditures in the governmental funds.	<u>(4,591,223)</u>
Changes in the net OPEB liability and related deferred outflows and deferred inflows reported in the Statement of Activities did not require the use of current financial resources and, therefore, were not reported as expenditures in the governmental funds.	<u>(253,348)</u>
<b>Change in Net Position</b>	<u><u>\$ 2,695,905</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, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

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 20, 2019



**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, 2019. 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, 2019.

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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, 2019, and the related notes to the financial statements. We issued our report thereon dated December 20, 2019 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 20, 2019

**Southwestern Community College District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure	Amount Provided to Subrecipients
<b>U.S. Department of Education:</b>					
<b>Direct Programs:</b>					
<b>Financial Aid Cluster:</b>					
	PELL	84.063	P063P131184	\$ 24,545,889	\$ -
	SEOG	84.007	P0078130617	512,285	-
	Direct Loans	84.268	P268K131184	1,034,049	-
	Federal Work Study	84.033	P033A130617	368,108	-
	Total Financial Aid Cluster			26,460,331	-
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A100052	115,887	-
	Puertas al Futuro - "Doorways to the Future"	84.031S	P031S140041	395,460	-
<b>Passed through California Department of Education</b>					
	Perkins, Title IC	84.051	11-C01-63	747,028	-
	CTE Transitions	84.051	11-112-090	34,362	-
	Sub-total			781,390	-
<b>Passed through State of California Department of Rehabilitation:</b>					
	State Vocational Rehabilitation Program	84.126A	29018/SCPRS 1324967	162,099	-
	<b>Total U.S. Department of Education</b>			<b>27,915,167</b>	<b>-</b>
<b>U.S. Department of Agriculture:</b>					
<b>Passed through The Foundation for California Community Colleges:</b>					
<b>SNAP Cluster:</b>					
	Fresh Success Program	10.561	FRS-010-17	31,662	-
	Total SNAP Cluster			31,662	-
	<b>Total U.S. Department of Agriculture</b>			<b>31,662</b>	<b>-</b>
<b>U.S. Department of Defense:</b>					
<b>Direct Programs:</b>					
	Procurement Technical Assistance (DLA)	12.002	SP4800-11-2-1149	368,091	-
	<b>Total U.S. Department of Defense</b>			<b>368,091</b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development:</b>					
<b>Passed through The Foundation for California Community Colleges:</b>					
<b>CDBG - Entitlement Grant Cluster:</b>					
	Community Development Block Grant	14.218	CED-FY18-003-02	304,429	-
	Total CDBG - Entitlement Grant Cluster			304,429	-
	<b>Total U.S. Department of Housing and Urban Development</b>			<b>304,429</b>	<b>-</b>
<b>National Science Foundation:</b>					
<b>Passed through University of San Diego:</b>					
	Malate Dehydrogenase Course	47.076	DUE-1726932	1,450	-
<b>Passed through Jefferson Community College and Technical College:</b>					
	Geopatial Technology Center of Excellence: "Growing the Workforce"	47.076	DUE-1700496	40,058	-
	Sub-total			41,508	-
	<b>Total National Science Foundation</b>			<b>41,508</b>	<b>-</b>

**Southwestern Community College District**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2019**

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure	Amount Provided to Subrecipients
<b><u>Small Business Administration:</u></b>					
<b>Direct Programs:</b>					
	Women's Business Ownership Assistance	59.043	OWBO-2018-02	111,105	-
<b>Direct Programs:</b>					
	2019 US SBA Grant	59.037	SBAHQ-19-B-0056	715,816	449,012
	2018 US SBA Grant	59.037	SBAHQ-18-B-0056	702,349	382,222
	Portable Assistance Program	59.037	SBAHQ-17-B-0073	21,573	-
	Sub-total			<u>1,439,738</u>	<u>831,234</u>
<b>Total Small Business Administration</b>				<b><u>1,550,843</u></b>	<b><u>831,234</u></b>
<b><u>U.S. Veterans Affairs Education Services Outreach:</u></b>					
<b>Direct Programs:</b>					
	Veterans Reporting Fees	64.270	38 USC 3684	9,758	-
<b>Total U.S. Department of Veterans Affairs</b>				<b><u>9,758</u></b>	<b><u>-</u></b>
<b><u>U.S. Department of Justice:</u></b>					
<b>Direct Programs:</b>					
	SDSU Bridges to Baccalaureate Program	16.525	2018-WA-AX-0044	7,830	-
<b>Total U.S. Department of Justice</b>				<b><u>7,830</u></b>	<b><u>-</u></b>
<b><u>U.S. Department of Homeland Security</u></b>					
<b>Direct Programs:</b>					
	Paramedic Refresher Training Course	97.036	AR3586.12	300	-
<b>Total U.S. Department of Homeland Security</b>				<b><u>300</u></b>	<b><u>-</u></b>
<b>Total Expenditures of Federal Awards</b>				<b><u>\$ 30,229,588</u></b>	<b><u>\$ 831,234</u></b>

**Southwestern Community College District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

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**Note 1 – Reporting Entity**

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

**Note 2 – Schedule of Expenditures of Federal Awards**

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

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

**Note 3 – Indirect Cost Rate**

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

**Southwestern Community College District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

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**Section I – Summary of Audit Results**

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

<b>Major Program</b>	<b>CFDA</b>	<b>Expenditures</b>
Financial Aid Cluster:		
PELL	84.063	\$ 24,545,889
SEOG	84.007	512,285
Federal Direct Student Loans	84.268	1,034,049
Federal Work Study	84.033	368,108
Total financial aid cluster		26,460,331
<b>Total Major Program Expenditures</b>		<b>\$ 26,460,331</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 30,229,588</b>
<b>Percent of Total Expenditures of Federal Awards</b>		<b>87.53%</b>

Dollar threshold used to distinguish between type A and type B programs **\$906,888**

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, 2019**

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**Section II – Financial Statement Findings**

**A. Current Year Financial Statement Findings**

No financial statement findings were noted for the year ended June 30, 2019.

**B. Prior Year Financial Statement Findings**

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

**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, 2019.

**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, 2018.

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## **STATE COMPLIANCE**

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited 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") 2018-2019, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2019.

### 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) 2018-2019, 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).

**Compliance Requirements Tested**

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

Section	Description	Procedures Performed
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Activities Funded from Other Sources	Not applicable
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment (CCAP and Non-CCAP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Fund	Yes
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D and 51 State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

**Opinion on State Compliance**

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

**Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the 2018-2019 Contracted District Audit Manual. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 20, 2019

## **OTHER INFORMATION**

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**Southwestern Community College District**  
**Other Information**  
**Purpose of Schedules**  
**For the Year Ended June 30, 2019**

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**PURPOSE OF SCHEDULES**

Schedule of Workload Measures for Program-Based Funding

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

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

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

Reconciliation of the 50% Calculation with Audited Financial Statements

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

Reconciliation of the Education Protection Account Expenditures with Audited Financial Statements

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

Schedule of Expenditures of State Awards

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

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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, 2019**

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit	5.99	-	5.99
2. Credit	1,238.29	-	1,238.29
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,768.98	-	9,768.98
(b) Daily Census Contact Hours	880.79	-	880.79
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	224.77	-	224.77
(b) Credit	430.01	-	430.01
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,524.03	-	1,524.03
(b) Daily Census Contact Hours	621.43	-	621.43
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	14,694.29	-	14,694.29
<b>Supplemental Information (subset of above information)</b>			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	-	-	-
(b) Credit	747.84	-	747.84
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
(a) Noncredit	-	-	-
(b) Credit	-	-	-

**Southwestern Community College District**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311)**  
**with Audited Financial Statements**  
**For the Year Ended June 30, 2019**

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

	General Fund Unrestricted	General Fund Restricted	Capital Outlay	Prop R Fund	Prop Z Fund	Student Center	Bond Interest and Redemption Fund
Fund balance/net position per the CCFS-311 at June 30, 2019	\$ 19,885,900	\$ 1,028,124	\$ 2,580,376	\$ 4,693,495	\$ 121,339,173	\$ 372,566	\$ 30,864,967
Audit adjustments	-	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	-	-	-	-	-	-	-
Net adjustments and reclassifications	-	-	-	-	-	-	-
<b>Fund balance/net position per the audited fund financial statements at June 30, 2019</b>	<b>\$ 19,885,900</b>	<b>\$ 1,028,124</b>	<b>\$ 2,580,376</b>	<b>\$ 4,693,495</b>	<b>\$ 121,339,173</b>	<b>\$ 372,566</b>	<b>\$ 30,864,967</b>

**Southwestern Community College District**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311)**  
**with Audited Financial Statements (Continued)**  
**For the Year Ended June 30, 2019**

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, 2019	\$ 2,432,711	\$ 397,537	\$ 699,531	\$ (230,116)	\$ 927,082	\$ 488,808	\$ 32,683
Audit adjustments	-	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	-	-	-	-	-	-	-
Net adjustments and reclassifications	-	-	-	-	-	-	-
<b>Fund balance/net position per the audited fund financial statements at June 30, 2019</b>	<b>\$ 2,432,711</b>	<b>\$ 397,537</b>	<b>\$ 699,531</b>	<b>\$ (230,116)</b>	<b>\$ 927,082</b>	<b>\$ 488,808</b>	<b>\$ 32,683</b>

**Southwestern Community College District**  
**Reconciliation of 50% Calculation with**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2019**

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	\$ 17,688,082	\$ -	\$ 17,688,082	\$ 17,688,082	\$ -	\$ 17,688,082
Other	1300	16,499,047	-	16,499,047	16,499,047	-	16,499,047
Total Instructional Salaries		34,187,129	-	34,187,129	34,187,129	-	34,187,129
Non-Instructional Salaries:							
Contract or Regular	1200	-	-	-	8,702,079	-	8,702,079
Other	1400	-	-	-	856,276	-	856,276
Total Non-Instructional Salaries		-	-	-	9,558,355	-	9,558,355
Total Academic Salaries		34,187,129	-	34,187,129	43,745,484	-	43,745,484
<u>Classified Salaries</u>							
Non-Instructional Salaries:							
Regular Status	2100	-	-	-	17,137,533	-	17,137,533
Other	2300	-	-	-	1,939,831	-	1,939,831
Total Non-Instructional Salaries		-	-	-	19,077,364	-	19,077,364
Instructional Aides:							
Regular Status	2200	2,125,619	-	2,125,619	2,125,619	-	2,125,619
Other	2400	764,711	-	764,711	798,232	-	798,232
Total Instructional Aides		2,890,330	-	2,890,330	2,923,851	-	2,923,851
Total Classified Salaries		2,890,330	-	2,890,330	22,001,215	-	22,001,215
Employee Benefits	3000	12,276,460	-	12,276,460	22,525,241	-	22,525,241
Supplies and Materials	4000	-	-	-	1,786,622	-	1,786,622
Other Operating Expenses	5000	489,755	-	489,755	9,914,100	-	9,914,100
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		\$ 49,843,674	\$ -	\$ 49,843,674	\$ 99,972,662	\$ -	\$ 99,972,662
<u>Exclusions</u>							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Services	5900	\$ 313,799	\$ -	\$ 313,799	\$ 313,799	\$ -	\$ 313,799
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	-	-	-	-	-	-
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials:							
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay:							
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	69,279	-	69,279
Equipment - Additional	6410	-	-	-	181,282	-	181,282
Equipment - Replacement	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	250,561	-	250,561
Other Outgo	7000	-	-	-	1,128,751	-	1,128,751
Total Exclusions		\$ 313,799	\$ -	\$ 313,799	\$ 1,693,111	\$ -	\$ 1,693,111
Total for ECS 84362, 50% Law		\$ 49,529,875	\$ -	\$ 49,529,875	\$ 98,279,551	\$ -	\$ 98,279,551
Percent of CEE (Instructional Salary Cost / Total CEE)		50.40%	-	50.40%	100.00%	-	100.00%
50% of Current Expense of Education					\$ 49,139,776		\$ 49,139,776

**Southwestern Community College District  
 Reconciliation of Education Protection Account Expenditures  
 with Audited Financial Statements  
 For the Year Ended June 30, 2019**

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Education Protection Account proceeds per the CCFS-311:                   \$ 13,909,859

	<b>Activity Code (0100-5900)</b>	<b>Salaries &amp; Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
Instructional Activities	\$ -	\$ 13,909,859	\$ -	\$ -	\$ 13,909,859

**Southwestern Community College District**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2019**

State Agency	Program Name	Cash Received	Accounts Receivable	Unearned Income	Total	Total Program Expenditures
<b>State Department of Education</b>						
<b>Direct Programs:</b>						
	AB104 - Adult Education Consortium Block Grant	\$ 1,046,678	\$ -	\$ 493,250	\$ 553,428	\$ 553,428
	Total direct programs	1,046,678	-	493,250	553,428	553,428
<b>Passed through California Community College Chancellor's Office:</b>						
	CA Apprenticeship Grant	71,204	-	-	71,204	71,204
	Deputy Sector Navigator (DSN)	111,369	80,083	-	191,452	191,452
	Industry Sector Proj in Common	90,321	-	-	90,321	90,321
	Instructional Supplies and Materials	663,917	-	401,932	261,985	261,985
	Instructional Equipment and Library	649,391	-	-	649,391	649,391
	Total passed through California Community Colleges Chancellor's Office	1,586,202	80,083	401,932	1,264,353	1,264,353
<b>Passed through Umoja Community Education Foundation:</b>						
	Umoja Community Education Foundation Grant	32,000	-	18,650	13,350	13,350
	Total passed through Umoja Community Education Foundation	32,000	-	18,650	13,350	13,350
	Total State Department of Education	2,664,880	80,083	913,832	1,831,131	1,831,131
<b>California Community Colleges Chancellor's Office:</b>						
<b>Direct Programs:</b>						
	Basic Skills	1,022,699	-	241,235	781,464	781,464
	EOPS Category A	2,462,384	-	30,345	2,432,039	2,432,039
	EOPS CARE Support	228,100	-	-	228,100	228,100
	DSPS Programs and Services	1,902,895	-	-	1,902,895	1,902,895
	California Work Opportunity and Responsibility for Kids (Calworks)	500,011	-	-	500,011	500,011
	Matriculation Assessment	3,369,029	-	259,214	3,109,815	3,109,815
	Matriculation Non Credit	91,113	-	25,843	65,270	65,270
	Temporary Cash Assistance for Needy Family (TANF)	86,411	-	-	86,411	86,411
	Nursing Education	200,190	-	-	200,190	200,190
	Guided Pathways Project	513,011	-	235,653	277,358	277,358
	Food Security-Hunger Free	158,725	-	139,902	18,823	18,823
	Strong Workforce	2,285,162	-	603,245	1,681,917	1,681,917
	Staff Diversity	100,294	-	66,564	33,730	33,730
	BFAP Financial Aid Allowance	907,275	-	153,799	753,476	753,476
	Student Equity	2,162,619	-	273,756	1,888,863	1,888,863
	Non Resident Dreamer Aid	6,423	-	-	6,423	6,423
	Veteran Resource Center	247,428	-	175,912	71,516	71,516
	Proposition 39 Program Improvement Funding	28,782	-	-	28,782	28,782
	California Promise Program	601,518	-	521,382	80,136	80,136
	Mental Health	141,206	-	110,737	30,469	30,469
<b>Passed through Grossmont CCD:</b>						
	Work Based Learning Program	70,000	10,000	59,562	20,438	20,438
	Basic Skills Partnership Pilot	47,277	-	-	47,277	47,277
<b>Passed through San Diego CCD:</b>						
	Innovation & Effectiveness Grant	83,069	-	29,642	53,427	53,427
	Total California Community Colleges Chancellor's Office	17,215,621	10,000	2,926,791	14,298,830	14,298,830
<b>California Governor's Office of Business and Economic Development:</b>						
<b>Direct Programs:</b>						
	Go-Biz	530,102	707,230	-	1,237,332	1,237,332
	Technical Assistance Expansion Program	225,413	519,434	-	744,847	744,847
	Total California Governor's Office of Business and Economic Development	755,515	1,226,664	-	1,982,179	1,982,179
<b>California Department of Boating and Waterways:</b>						
<b>Direct Programs:</b>						
	Aquatic Center Grant	95,648	-	27,437	68,211	68,211
	Total California Department of Boating and Waterways	95,648	-	27,437	68,211	68,211
	<b>Total State Programs</b>	<b>\$ 20,731,664</b>	<b>\$ 1,316,747</b>	<b>\$ 3,868,060</b>	<b>\$ 18,180,351</b>	<b>\$ 18,180,351</b>

**Southwestern Community College District**  
**Budget Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2019**

	General Fund - Unrestricted			General Fund-Restricted		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>REVENUES:</b>						
Federal	\$ 216,600	\$ 257,016	\$ 40,416	\$ 3,450,310	\$ 4,137,364	\$ 687,054
State	65,269,156	67,551,428	2,282,272	17,760,006	18,572,188	812,182
Local	35,196,325	37,083,213	1,886,888	4,928,565	3,542,164	(1,386,401)
<b>Total revenues</b>	<u>100,682,081</u>	<u>104,891,657</u>	<u>4,209,576</u>	<u>26,138,881</u>	<u>26,251,716</u>	<u>112,835</u>
<b>EXPENDITURES:</b>						
Salaries	65,176,041	67,473,734	(2,297,693)	13,815,942	14,353,459	(537,517)
Employee benefits	21,116,611	23,288,802	(2,172,191)	3,784,195	4,531,310	(747,115)
Payments to students	175,000	69,185	105,815	1,607,692	1,200,440	407,252
Supplies, materials, and other expenses	12,704,007	9,159,276	3,544,731	6,893,779	7,354,117	(460,338)
Utilities	2,510,422	2,988,899	(478,477)	37,273	9,634	27,639
<b>Total expenditures</b>	<u>101,682,081</u>	<u>102,979,896</u>	<u>(1,297,815)</u>	<u>26,138,881</u>	<u>27,448,960</u>	<u>(1,310,079)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,000,000)</u>	<u>1,911,761</u>	<u>2,911,761</u>	<u>-</u>	<u>(1,197,244)</u>	<u>(1,197,244)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	206,558	206,558	-	1,154,439	1,154,439
Transfers out	-	(1,128,751)	(1,128,751)	-	(232,246)	(232,246)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(922,193)</u>	<u>(922,193)</u>	<u>-</u>	<u>922,193</u>	<u>922,193</u>
<b>CHANGES IN FUND BALANCES</b>	<u>\$ (1,000,000)</u>	<u>989,568</u>	<u>\$ 1,989,568</u>	<u>\$ -</u>	<u>(275,051)</u>	<u>\$ (275,051)</u>
<b>FUND BALANCES:</b>						
Beginning of year		<u>18,896,332</u>			<u>1,303,175</u>	
End of year		<u>\$ 19,885,900</u>			<u>\$ 1,028,124</u>	