

Southwestern Community College District

Chula Vista, California

Basic Financial Statements and Independent Auditors' Report

For the year ended June 30, 2012

Southwestern Community College District

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Southwestern Community College District

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type and the fiduciary funds of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southwestern Community College District Foundation (the "Foundation"), a discretely presented component unit of the District. Those financial statements were audited by other auditors, whose report dated December 20, 2012 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2012, the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress for Defined Benefit Plans be presented to supplement the basic financial statements. Such information, on page 3 through 6 and page 44, respectively,

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying Introductory Section, Combining Schedule of Assets, Liabilities, and Fund Balances, Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances to Government-Wide Statement of Net Assets, Combining Schedule of Revenues, Expenditures (Expenses), and Changes in Fund Equity (Net Assets), Reconciliation of Combining Schedule of Revenue, Expenditures (Expenses), and Change in Fund Equity (Net Assets) to Government-Wide Statement of Revenues, Expenses and Changes in Net Assets, Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting System, and Notes to Supplemental Information are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Combining and Individual Fund Financial Statements and the Schedule of Expenditures of Federal Awards 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 Schedule of Workload Measures for State General Apportionment and Schedule of Annual Apprenticeship Hours of Instruction, and Continuing Disclosures are not a required part of the basic financial statements but are supplementary information required by the State of California Department of Education. This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Supplementary Information. However, we did not audit the information and express no opinion on these schedules.

A handwritten signature in black ink that reads "Rick J. McGeady LLP". The signature is written in a cursive, flowing style.

San Diego, California
December 20, 2012

Southwestern Community College District

Management's Discussion and Analysis

For the year ended June 30, 2012

This section of the Southwestern Community College District's (District) financial statements presents the analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets of the District as a whole decreased by \$5.4 million to \$64.4 million primarily due to excess expenses over revenues.
- Capital assets increased by \$6.9 million due primarily to the construction-in-progress occurring throughout the District relating to Proposition AA and R bond general obligation bond projects.
- General Fund (unrestricted) expenses exceeded revenues by \$6.1 million compared to a budgeted deficit of \$5.0 million.
- Ending General Fund fund-balance (unrestricted) at June 30, 2012 was \$7.6 million or 9.5% of General Fund unrestricted expenses.
- Funded FTES (full time equivalent students) were 14,553 in FY12 compared to 15,876 in FY11.
- Unfunded FTES were 558 in FY12 compared to 57 in FY11.

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

The *Statement of Net Assets* presents the assets, liabilities, and net assets 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 assets, the difference between assets and liabilities, are 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 assets of the District consist of three major categories. The *Invested in capital assets, net of related debt* category represents the District's equity in property, plant, and equipment. *Restricted net assets* are restricted by use constraints placed on them 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 assets* are the final category. The District can use unrestricted net assets for any lawful purpose. Although unrestricted, the District's Governing Board may place internal restrictions on these net assets, but it retains the power to change, remove or modify such restrictions.

Southwestern Community College District
Management's Discussion and Analysis, Continued
For the year ended June 30, 2012

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

Table 1
Statement of Net Assets

	June 30, 2012	June 30, 2011	Change	
Current assets	\$ 36,443,179	\$ 34,826,210	\$ 1,616,969	4.6%
Noncurrent assets	307,428,739	312,308,090	(4,879,351)	-1.6%
Total assets	343,871,918	347,134,300	(3,262,382)	-0.9%
Current liabilities	32,875,107	25,100,107	7,775,000	31.0%
Long-term liabilities	246,625,305	252,307,977	(5,682,672)	-2.3%
Total liabilities	279,500,412	277,408,084	2,092,328	0.8%
Net assets:				
Invested in capital assets, net of related debt	43,537,319	38,829,630	4,707,689	12.1%
Restricted	12,454,087	14,637,699	(2,183,612)	-14.9%
Unrestricted	8,380,100	16,258,887	(7,878,787)	-48.5%
Total net assets	\$ 64,371,506	\$ 69,726,216	\$ (5,354,710)	-7.7%

The *Statement of Activities and Changes in Net Assets* 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 assets on the Statement of Net Assets are based on the activity presented in the Statement of Activities and Changes in Net Assets. 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.

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

Table 2
Changes in Net Assets

	June 30, 2012	June 30, 2011	Change	
Operating revenues	\$ 21,961,766	\$ 21,967,394	\$ (5,628)	0.0%
Operating expenses	(124,827,016)	(123,590,752)	(1,236,264)	1.0%
Deficit before depreciation and				
Nonoperating income and expenses	(102,865,250)	(101,623,358)	(1,241,892)	1.2%
Depreciation	(4,139,837)	(3,945,609)	(194,228)	4.9%
Non-operating income and expenses, net	101,650,377	105,281,074	(3,630,697)	-3.4%
Increase (decrease) in net assets	\$ (5,354,710)	\$ (287,893)	\$ (5,066,817)	1760.0%

Southwestern Community College District
Management's Discussion and Analysis, Continued
For the year ended June 30, 2012

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

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

Table 3
Statement of Cash Flows

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash provided (used):		
Operating activities	\$ (100,204,682)	\$ (103,707,088)
Non-capital financing activities	112,956,217	109,181,845
Capital and related financing activities	(29,268,972)	51,915,528
Investing activities	<u>57,560,705</u>	<u>(80,560,999)</u>
Net decrease in cash and cash equivalents	41,043,268	(23,170,714)
Cash balance, beginning of year	<u>118,449,327</u>	<u>141,620,041</u>
Cash balance, end of year	<u><u>\$ 159,492,595</u></u>	<u><u>\$ 118,449,327</u></u>

CAPITAL ASSETS

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2012. These changes are presented in detail in Note 4 to the financial statements.

Table 4
Capital Assets Net of Accumulated Depreciation

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>	
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Buildings	82,261,096	79,971,654	2,289,442	2.9%
Improvements	25,904,344	23,520,727	2,383,617	10.1%
Equipment	1,449,936	1,596,681	(146,745)	-9.2%
Construction in progress	<u>13,659,043</u>	<u>11,309,675</u>	<u>2,349,368</u>	<u>20.8%</u>
Net capital assets	<u><u>\$ 132,977,567</u></u>	<u><u>\$ 126,101,885</u></u>	<u><u>\$ 6,875,682</u></u>	<u><u>5.5%</u></u>

**Southwestern Community College District
Management's Discussion and Analysis, Continued
For the year ended June 30, 2012**

LONG TERM DEBT

The following table summarizes the District's long term debt and changes therein for the year ended June 30, 2012. Changes in long term debt are presented in detail in Note 6 to the financial statements.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>	
Bonds Payable:				
Lease Revenue	\$ 1,330,000	\$ 1,410,000	\$ (80,000)	-5.7%
GO Bond, Series 2004	12,993,974	12,993,974	-	0.0%
GO Bond, Series 2005	35,260,000	36,345,000	(1,085,000)	-3.0%
GO Bond, Series 2005 Refunding Series B	27,440,001	30,235,001	(2,795,000)	-9.2%
Prop R - Series A	8,575,000	8,690,000	(115,000)	-1.3%
Prop R - Series B	89,775,000	89,775,000	-	0.0%
Prop R - Series C	66,445,371	68,730,371	(2,285,000)	-3.3%
Unamortized premiums	7,091,160	7,810,522	(719,362)	-9.2%
	<u>\$ 248,910,506</u>	<u>\$ 255,989,868</u>	<u>\$ (7,079,362)</u>	<u>-2.8%</u>

ECONOMIC FACTORS AND 2012-13 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 2012-13 Adopted Budget (unrestricted general fund) includes revenue and expense projections based on the best information available to date. To address the current budget reductions requirements, and in the face of potential mid-year cuts, the budget planning groups continue to evaluate the impact of the changes and modify budget planning accordingly. The Adopted Budget also includes sufficient reserves for the District's stability and security, including a Governing Board reserve of 5%.

The District's unrestricted general fund revenue budget for FY 2012-13 is \$77.0 million consisting of California State principal apportionment of \$49.5 million, property taxes of \$17.5 million, enrollment fees of \$4.5 million, and \$5.3 million in other revenues. Unrestricted budgeted expenses of \$79.3 million exceed budgeted revenue by \$2.2 million. The Governing Board has approved the budget with this excess of expenses over revenue.

The District's 2012-2013 General Fund unrestricted budgeted expenses of \$79.3 million decreased \$2.3 million from prior year budget. Proposition AA and R Bond funds that are separate from the General Fund have an expense budget of \$69.1 million. The total District-wide budget for all funds in 2012-2013 is \$164 million.

**Southwestern Community College District
Management's Discussion and Analysis, Continued
For the year ended June 30, 2012**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

Southwestern Community College District
Statement of Net Assets
June 30, 2012

	District	Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,210,870	\$ 90,852
Investments	-	755,324
Accounts receivable	22,653,613	2,313
Inventories	961,096	-
Prepaid items	604,856	9,763
Due from fiduciary funds	12,744	-
Total current assets	36,443,179	858,252
Noncurrent assets:		
Restricted cash and cash equivalents	147,281,725	50,756
Restricted investments	24,642,620	-
Capital assets, net	132,977,567	-
Unamortized deferred charges	2,526,827	-
Total noncurrent assets	307,428,739	50,756
Total assets	343,871,918	909,008
 LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	13,279,785	53,410
Interest payable	5,364,165	-
Payroll and related liabilities	3,364,513	-
Unearned revenue	4,895,270	50,756
Due to fiduciary funds	11,536	-
Compensated absences - due within one year	1,100,000	-
Retirement plan payable - due within than one year	169,838	-
Bonds payable - due within one year	4,690,000	-
Total current liabilities	32,875,107	104,166
Noncurrent liabilities:		
Compensated absences - due in more than one year	1,315,650	-
Net OPEB obligations	1,089,149	-
Bonds payable - due in more than one year	244,220,506	-
Total noncurrent liabilities	246,625,305	-
Total liabilities	279,500,412	104,166
Net Assets:		
Invested in capital assets, net of related debt	43,537,319	-
Restricted for:		
Special projects	141,000	804,842
Debt service	12,313,087	-
Total restricted	12,454,087	804,842
Unrestricted	8,380,100	-
Total net assets	\$ 64,371,506	\$ 804,842

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

	District	Foundation
	<hr/>	<hr/>
OPERATING REVENUES:		
Tuition and fees	\$ 7,624,847	\$ -
Grants and contracts, non-capital:		
Federal	6,655,089	-
State	1,234,889	-
Local	1,938,114	-
Total grants and contracts, non-capital	<hr/> 9,828,092	<hr/> -
Auxiliary enterprise sales and charges, net	4,508,827	-
Other operating revenues	-	106,712
Total operating revenues	<hr/> 21,961,766	<hr/> 106,712
OPERATING EXPENSES:		
Salaries	64,423,603	-
Employee benefits	16,783,146	-
Payments to students	25,476,716	31,650
Supplies, materials, and other expenses	15,992,170	67,094
Utilities	2,151,381	-
Depreciation	4,139,837	-
Total operating expenses	<hr/> 128,966,853	<hr/> 98,744
Operating income (loss)	<hr/> (107,005,087)	<hr/> 7,968
NONOPERATING REVENUE (EXPENSES):		
Federal grants, non-capital	21,088,526	-
State apportionments, non-capital	53,085,435	-
Local property taxes, non-capital	31,294,205	-
State taxes and other revenues	2,588,412	-
Investment income, non-capital	852,372	16,504
Interest expense	(11,975,146)	-
Other nonoperating revenues (expenses)	4,716,573	-
Total nonoperating revenues (expenses), net	<hr/> 101,650,377	<hr/> 16,504
Net change in net assets	<hr/> (5,354,710)	<hr/> 24,472
NET ASSETS:		
Beginning of year, as restated (see Note 12)	69,726,216	780,370
End of year	<hr/> \$ 64,371,506	<hr/> \$ 804,842

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Cash Flows
For the year ended June 30, 2012

	District	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 1,054,082	\$ -
Grants and contracts	9,828,092	-
Payments for supplies and services	(6,269,029)	(31,437)
Payments for utilities	(2,151,381)	-
Payments to/on behalf of employees	(81,554,028)	-
Payments to students	(25,476,716)	(31,650)
Auxiliary enterprise sales and charges	4,508,827	-
Other operating revenues and expenses	(144,529)	80,062
Net cash provided (used) by operating activities	(100,204,682)	16,975
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Federal Pell grants	21,088,526	-
State apportionments	53,085,435	-
Local property taxes	31,294,205	-
State taxes and other revenues	2,588,412	-
Other	4,899,639	-
Net cash provided (used) by noncapital financing activities	112,956,217	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition of capital assets	(11,038,252)	-
Disposition of capital assets	22,733	-
Principal paid on bonds	(6,360,000)	-
Payment of interest and fees	(11,893,453)	-
Net cash provided (used) by capital financing activities	(29,268,972)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	56,708,333	(93,020)
Interest and investment proceeds	852,372	16,504
Cash provided by investing activities	57,560,705	(76,516)
Net increase (decrease) in cash and equivalents	41,043,268	(59,541)
CASH AND CASH EQUIVALENTS		
Beginning of year	118,449,327	201,149
End of year	\$ 159,492,595	\$ 141,608
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS:		
Cash and cash equivalents	\$ 12,210,870	\$ 90,852
Restricted cash and cash equivalents	147,281,725	50,756
Total cash and cash equivalents	\$ 159,492,595	\$ 141,608

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Cash Flows, Continued
For the year ended June 30, 2012

	<u>District</u>	<u>Foundation</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (107,005,087)	\$ 7,968
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Prior period adjustments (Note 12)	-	(77,406)
Depreciation	4,139,837	-
Change in assets and liabilities:		
Receivables	(5,413,878)	2,465
Inventories	318,157	-
Prepaid items	(601,602)	(9,763)
Due from fiduciary funds	(12,744)	-
Accounts payable and accrued liabilities	10,006,586	42,955
Payroll and related liabilities	(838,134)	-
Unearned revenue	(1,156,887)	50,756
Due to fiduciary funds	(37,458)	-
Insurance claims payable	(94,327)	-
Retirement plan payable	(384,473)	-
Net OPEB obligations	750,948	-
Compensated absences	124,380	-
Net cash provided (used) by operating activities	<u><u>\$ (100,204,682)</u></u>	<u><u>\$ 16,975</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Amortization of deferred charges	\$ (183,066)	\$ -
Amortization of bond premiums	(719,362)	-
Interest payment of long-term debt	(11,893,454)	-
Total noncash capital and related financing activities	<u><u>\$ (12,795,882)</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

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Southwestern Community College District
Statement of Fiduciary Net Assets
June 30, 2012

	Associated Student Trusts	Student Service Trust Funds	Total
ASSETS			
Current assets:			
Cash and investments	\$ 854,716	\$ 559,430	\$ 1,414,146
Accounts receivable	11,885	3,152	15,037
Due from District	11,046	490	11,536
Other assets	43,983	-	43,983
Total assets	921,630	563,072	1,484,702
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued liabilities	528	566,382	566,910
Due to District	12,744	-	12,744
Deferred revenue	17,487	-	17,487
Deposits payable	82,449	-	82,449
Total liabilities	113,208	566,382	679,590
Net Assets:			
Unrestricted	808,422	(3,310)	805,112
Total net assets	\$ 808,422	\$ (3,310)	\$ 805,112

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2012

	Associated Student Trusts	Student Service Trust Funds	Total
OPERATING REVENUES:			
Student fees	\$ 307,095	\$ -	\$ 307,095
Other revenues	6,605	12,231	18,836
Total operating revenues	<u>313,700</u>	<u>12,231</u>	<u>325,931</u>
OPERATING EXPENSES:			
Salaries and benefits	81,945	-	81,945
Payments to students	35,500	-	35,500
Supplies, materials, and other expenses	129,623	20,843	150,466
Total operating expenses	<u>247,068</u>	<u>20,843</u>	<u>267,911</u>
Operating income (loss)	<u>66,632</u>	<u>(8,612)</u>	<u>58,020</u>
Net change in net assets	66,632	(8,612)	58,020
NET ASSETS:			
Beginning of year	741,790	5,302	747,092
End of year	<u>\$ 808,422</u>	<u>\$ (3,310)</u>	<u>\$ 805,112</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Southwestern Community College District
Notes to Basic Financial Statements
For the year ended June 30, 2012

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 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2012:

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

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

The Southwestern College Foundation

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

B. Basis of Accounting and Measurement Focus

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Basic Financial Statements

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

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, that are specified for the following areas:

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Restricted Cash, Cash Equivalents and Investments

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

E. Accounts Receivable

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

F. Inventories

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

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

Bond discounts, premiums, issuance costs, 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 are reported as deferred charges.

H. Compensated Absences

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

I. Capital Assets

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

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. 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:

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

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

J. Net Assets

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

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

Unrestricted – This amount is all net assets that do not meet the definition of “*invested in capital assets, net of related debt*” or “*restricted*” net assets.

K. Unearned Revenue

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

L. Property Taxes

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

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

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Property Taxes, Continued

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.

M. On-Behalf Payments

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

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

N. 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.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. 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.

P. Use of Estimates

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

2. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2012:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents	\$ 12,210,870	\$ 1,414,146	\$ 90,852	\$ 13,715,868
Restricted cash and cash equivalents	147,281,725	-	50,756	147,332,481
Total cash and cash equivalents	159,492,595	1,414,146	141,608	161,048,349
Investments	-	-	755,324	755,324
Restricted investments	24,642,620	-	-	24,642,620
Total investments	24,642,620	-	755,324	25,397,944
Total cash and investments	\$ 184,135,215	\$ 1,414,146	\$ 896,932	\$ 186,446,293

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

Cash, cash equivalents, and investments consisted of the following at June 30, 2012:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents:				
Cash on hand	\$ 73,806	\$ 3,490	\$ -	\$ 77,296
Cash in bank accounts	27,199,469	1,410,656	141,608	28,751,733
Cash in County treasury	132,219,320	-	-	132,219,320
Total cash and cash equivalents	159,492,595	1,414,146	141,608	161,048,349
Investments:				
US Government securities	5,044,711	-	-	5,044,711
Certificates of deposit	19,597,909	-	18,152	19,616,061
Common stock	-	-	368,793	368,793
Mutual funds	-	-	368,379	368,379
Total investments	24,642,620	-	755,324	25,397,944
Total cash and investments	\$ 184,135,215	\$ 1,414,146	\$ 896,932	\$ 186,446,293

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

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

At June 30, 2012, the District had \$132,219,320 invested in the San Diego County Investment Pool.

Restricted Cash and Investments

As of June 30, 2012, the District had restricted cash and investments totaling \$171,924,345. 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.

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.

Credit Risk

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

	Business-Type			
	Activities	Foundation		
	Fair Value	Fair Value	Moody's	Standard & Poor's
Federal Home Loan Bank	\$ 4,709,493	\$ -	Aaa	AA+
Federal Home Loan Mortgage Corporation	335,218	-	Aaa	AA+
Mutual Funds	-	368,379	A2	A
Equities	-	368,793	Not Rated	Not Rated
Certificates of deposit	19,597,909	18,152	Not Rated	Not Rated
	<u>\$ 24,642,620</u>	<u>\$ 755,324</u>		

Concentration of Credit Risk

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

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.

3. ACCOUNTS RECEIVABLE

The following is a summary of receivables at June 30, 2012:

	District	Foundation
Grants:		
Federal	\$ 1,768,840	\$ -
State	1,629,466	-
Local	114,591	-
Total grants	3,512,897	-
State Apportionments	17,928,462	-
Lottery Apportionments	389,090	-
Other	823,164	2,313
Total	\$ 22,653,613	\$ 2,313

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

4. CAPITAL ASSETS

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Nondepreciable:					
Land	\$ 9,703,148	\$ -	\$ -	\$ -	\$ 9,703,148
Construction in progress	11,309,675	10,660,793	-	(8,311,425)	13,659,043
Total nondepreciable	21,012,823	10,660,793	-	(8,311,425)	23,362,191
Depreciable:					
Site improvements	29,504,378	-	-	4,481,535	33,985,913
Buildings	102,665,663	-	(133,770)	3,829,890	106,361,783
Equipment	5,470,984	377,459	(240,294)	-	5,608,149
Total depreciable, at cost	137,641,025	377,459	(374,064)	8,311,425	145,955,845
Less accumulated depreciation:					
Site improvements	(5,983,651)	(2,097,918)	-	-	(8,081,569)
Buildings	(22,694,009)	(1,530,526)	123,848	-	(24,100,687)
Equipment	(3,874,303)	(511,393)	227,483	-	(4,158,213)
Total accumulated depreciation	(32,551,963)	(4,139,837)	351,331	-	(36,340,469)
Total depreciable, net	105,089,062	(3,762,378)	(22,733)	8,311,425	109,615,376
Total capital assets, net	\$ 126,101,885	\$ 6,898,415	\$ (22,733)	\$ -	\$ 132,977,567

Depreciation expense for capital assets for the year ended June 30, 2012 was \$4,139,837.

5. UNEARNED REVENUE

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2012 for the subsequent 2012-2013 year. As of June 30, 2012, the District's unearned revenue balance consists of the following:

	Business-Type Activites	Fiduciary Fund Financial Statements	Foundation	Total
Federal sources	\$ 239,277	\$ -	\$ -	\$ 239,277
State sources	1,021,748	-	-	1,021,748
Enrollment fees	1,737,558	-	-	1,737,558
Other local sources	1,896,687	17,487	50,756	1,964,930
	<u>\$ 4,895,270</u>	<u>\$ 17,487</u>	<u>\$ 50,756</u>	<u>\$ 4,963,513</u>

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year	Due In More Than One Year
Bonds payable:						
Lease Revenue Bonds	\$ 1,410,000	\$ -	\$ (80,000)	\$ 1,330,000	\$ 85,000	\$ 1,245,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2005	36,345,000	-	(1,085,000)	35,260,000	1,220,000	34,040,000
GO Bond 2005, Refunding Series B	30,235,001	-	(2,795,000)	27,440,001	3,215,000	24,225,001
GO Bond 2008, Series A	8,690,000	-	(115,000)	8,575,000	125,000	8,450,000
GO Bond 2008, Series B	89,775,000	-	-	89,775,000	-	89,775,000
GO Bond 2008, Series C	68,730,371	-	(2,285,000)	66,445,371	45,000	66,400,371
Unamortized premium	7,810,522	-	(719,362)	7,091,160	-	7,091,160
Total bonds payable	255,989,868	-	(7,079,362)	248,910,506	4,690,000	244,220,506
Retirement plans payable:						
CalSTRS Retirement Plan	554,311	-	(384,473)	169,838	169,838	-
Compensated absences:	2,291,270	1,215,339	(1,090,959)	2,415,650	1,100,000	1,315,650
Total	<u>\$ 258,835,449</u>	<u>\$ 1,215,339</u>	<u>\$ (8,554,794)</u>	<u>\$ 251,495,994</u>	<u>\$ 5,959,838</u>	<u>\$ 245,536,156</u>

Lease Revenue Bonds

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

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

The District pledged all lease revenue to repay the outstanding principal and interest of the Lease Revenue Bonds. Total principal and interest remaining on the bonds at June 30, 2012 is \$1,654,110, payable through 2024.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

Lease Revenue Bonds, Continued

The annual requirements for debt service outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 85,000	\$ 43,819	\$ 128,819
2014	85,000	41,269	126,269
2015	90,000	38,644	128,644
2016	90,000	35,494	125,494
2017	90,000	32,344	122,344
2018-2022	515,000	115,831	630,831
2023-2024	375,000	16,709	391,709
Total	\$ 1,330,000	\$ 324,110	\$ 1,654,110

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, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018-2022	-	-	-
2023-2027	5,765,944	14,697,270	20,463,214
2028-2030	7,228,030	14,743,756	21,971,786
Total	\$ 12,993,974	\$ 29,441,026	\$ 42,435,000

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

General Obligation Bonds – 2005

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

The bonds are solely payable from *ad valorem* property taxes levied. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds - 2005. Total principal and interest remaining on the bonds is \$49,927,688, payable through fiscal year 2026.

The annual requirements for debt service payments outstanding at June 30, 2012 are as follows:

Year Ending				
June 30,	Principal	Interest	Total	
2013	\$ 1,220,000	\$ 1,673,725	\$ 2,893,725	
2014	1,370,000	1,621,925	2,991,925	
2015	1,520,000	1,564,125	3,084,125	
2016	1,680,000	1,491,725	3,171,725	
2017	1,875,000	1,402,850	3,277,850	
2018-2022	12,635,000	5,343,713	17,978,713	
2023-2026	14,960,000	1,569,625	16,529,625	
Total	\$ 35,260,000	\$ 14,667,688	\$ 49,927,688	

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 District pledged all *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds – 2005 Refunding Series B. Total principal and interest remaining on the bonds is \$32,345,338, payable through fiscal year 2019.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

General Obligation Bonds – 2005 Refunding Series B, Continued

The annual requirements for debt service outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 3,215,000	\$ 1,356,206	\$ 4,571,206
2014	3,670,000	1,175,475	4,845,475
2015	4,165,000	969,806	5,134,806
2016	4,705,000	736,969	5,441,969
2017	5,290,000	474,600	5,764,600
2018-2019	6,395,001	192,281	6,587,282
Total	\$ 27,440,001	\$ 4,905,337	\$ 32,345,338

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

On October 22, 2009, as authorized by the registered voters of the Southwestern Community College District in the election of November 4, 2008, the District issued \$10,225,000 of Election of 2008 General Obligation Bonds, Series A, and \$89,775,000 of Election of 2008 General Obligation Bonds, Series B bonds. The Series A bonds are tax exempt. The Series B bonds were issued as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series B bonds on or about each interest payment date. The cash payment does not constitute the full faith and credit of the United States, but is required to be paid by the Treasury under the Recovery Act. Interest is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010 at 5.5%. The bonds are being issued to finance the repair, construction, acquisition and equipping of certain District sites and facilities and to pay costs of issuance with the bonds. The bonds were issued at a premium of \$1,212,387. In addition, there were \$1,152,221 of bond issuance costs which are being amortized over the life of the bond.

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. In addition, there were bond issuance costs of \$641,922 that are being amortized over the life of the bonds.

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

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

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

The bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District has pledged all *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, 2012 is \$11,748,364, \$226,382,004 and \$224,672,676 for Series A, B, and C, respectively.

The annual requirements for debt service outstanding at June 30, 2012 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2013	\$ 125,000	\$ 468,188	\$ 593,188
2014	255,000	457,738	712,738
2015	400,000	439,725	839,725
2016	550,000	413,600	963,600
2017	715,000	378,813	1,093,813
2018-2022	6,530,000	1,015,300	7,545,300
Total	\$ 8,575,000	\$ 3,173,364	\$ 11,748,364

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
2013	\$ -	\$ 6,401,727	\$ 6,401,727
2014	-	6,401,727	6,401,727
2015	-	6,401,727	6,401,727
2016	-	6,401,727	6,401,727
2017	-	6,401,727	6,401,727
2018-2022	-	32,008,635	32,008,635
2023-2027	12,570,000	30,149,906	42,719,906
2028-2032	20,535,000	24,410,379	44,945,379
2033-2037	31,295,000	15,188,240	46,483,240
2038-2040	25,375,000	2,841,209	28,216,209
Total	\$ 89,775,000	\$ 136,607,004	\$ 226,382,004

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

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

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
2013	\$ 45,000	\$ 2,834,413	\$ 2,879,413
2014	-	2,833,963	2,833,963
2015	30,000	2,833,513	2,863,513
2016	100,000	2,831,563	2,931,563
2017	175,000	2,826,563	3,001,563
2018-2022	2,245,000	13,907,963	16,152,963
2023-2027	5,215,000	13,001,438	18,216,438
2028-2032	9,305,000	11,210,119	20,515,119
2033-2037	14,990,000	8,097,813	23,087,813
2038-2042	26,364,160	20,202,242	46,566,402
2043-2047	7,976,211	77,647,715	85,623,926
Total	\$ 66,445,371	\$ 158,227,305	\$ 224,672,676

California State Teachers' Retirement System (CalSTRS) Retirement Plan

In November 2004, the District provided a retirement incentive under AB1207, The Golden Handshake Additional Service Credit for State Teachers Retirement System Members, as designated by the CalSTRS Retirement Incentive Program. The Program's main feature is the purchase by the District of two years of service credit plus two years of age credit towards retirement for academic employees who meet the qualifications. A total of sixteen retirees qualified for the program, which resulted in an obligation to the District in the amount of \$1,653,201. At June 30, 2012, the outstanding balance of CalSTRS was \$169,838.

Compensated Absences

The District's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$2,415,650 at June 30, 2012.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

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

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

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

Funding Policy

Through June 30, 2012, the District has contributed \$2.5 million to an irrevocable trust with the Community College League of California – Joint Powers Authority (CCLC-JPA). The District contributed \$0 during fiscal year 2012. At June 30, 2012, the market value of the irrevocable trust was \$3,119,973.

Annual OPEB Cost

For the year ended June 30, 2012, the District's Annual Required Contribution ("ARC") for OPEB was \$1,194,669. The District's annual OPEB cost, the percentage of annual OPEB cost to be contributed to the plan, and the Net OPEB Obligation are as follows:

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Increase (Decrease) in OPEB Obligation	Net OPEB Obligation
6/30/2010	\$ 766,468	\$ 500,000	65%	\$ (266,468)	\$ (71,733)
6/30/2011	\$ 766,468	\$ 500,000	65%	\$ (266,468)	\$ (338,201)
6/30/2012	\$ 1,194,669	\$ 443,721	37%	\$ (750,948)	\$ (1,089,149)

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. OTHER POST EMPLOYMENT BENEFITS, Continued

Most Recent Actuarial Study – Status of Funding Progress

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Unfunded Actuarial Liabilities as Percentage of Liabilities as Covered Payroll
2/1/2012	\$ 2,784,507	\$ 14,375,645	\$ 11,591,138	19.37%	\$ 43,481,288	26.66%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of February 1, 2012. In that valuation, the Entry Aged Normal Cost Method was used. The actuarial assumptions included a 7% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 4%, and a 3% payroll increase per year. All assumptions reflect an implicit 3% general inflation assumption. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a rolling basis. The remaining amortization period as of June 30, 2012 was 30 years.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

8. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

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

Under State Teachers' Retirement Law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees as of June 30, 2012.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer rate for fiscal year 2011-2012 was 8.25% of annual payroll. The contribution requirements on the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal year ended June 30, 2012, 2011 and 2010 were \$3,273,581, \$3,279,249, and \$3,074,710, respectively, and equal to 100% of the Annual Required Contributions.

Most Recent Actuarial Study – Status of Funding Progress

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

California Public Employees' Retirement System (CalPERS)

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

8. EMPLOYEE RETIREMENT SYSTEMS, Continued

California Public Employees' Retirement System (CalPERS), Continued

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,213,357, \$2,219,983, and \$1,966,399, respectively, and equal to 100% of the annual required contributions.

Most Recent Actuarial Study – Status of Funding Progress

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

On-behalf Payments Made by the State of California

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 and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. However, for fiscal year 2012, the amount of on-behalf payments made for the District was \$0 for CalSTRS and \$0 for CalPERS.

9. RISK MANAGEMENT

The District's risks management activities include employee dental, 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.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

9. RISK MANAGEMENT, Continued

Claims Liabilities

The increase in Incurred But Not Paid (IBNP) claims is calculated by subtracting an estimate of outstanding claims at June 30, 2011 from an estimate of claims still outstanding at June 30, 2012.

The proportion of claims expected to be outstanding is based on completion factors derived from actual District claim lag data. Using this method, the IBNP claims are estimated as the sum, for all prior months, of: expected incurred claims for the months times the proportion of claims expected to be still outstanding.

The following is a summary of the changes in Incurred But Not Paid (IBNP) for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year	Due In More Than One Year
Incurred but not paid (IBNP)	\$ 94,327	\$ -	\$ (94,327)	\$ -	\$ -	\$ -

10. JOINT VENTURES (JOINT POWERS AGREEMENT)

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

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

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

	June 30, 2011
Assets	\$ 45,222,215
Liabilities	\$ 21,819,352
Net assets	\$ 23,402,863
Operating revenues	\$ 10,041,115
Operating expenses	\$ 11,665,586
Nonoperating revenues	\$ 425,967
Change in nets assets	\$ (1,198,504)

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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.

Prop R Bond Fund Mediation

The District is currently involved in mediation with several contractors that were awarded contracts and performed work under Proposition R. Amounts to be returned by contractor(s) to the District or to be paid by the District to contractor(s), if any, are unknown as of the date of this report.

Sick Leave

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

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

Construction

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$5,878,876 as of June 30, 2012.

12. PRIOR PERIOD ADJUSTMENTS

An error resulting in an overstatement of previously reported temporarily restricted net assets was discovered during the Foundation audit for the current year. Accordingly, a prior period adjustment of \$(77,406) was made in the current year to reduce the temporarily restricted net assets and increase the previously reported liabilities as of July 1, 2011.

13. SUBSEQUENT EVENTS

In September 2012, the District borrowed, on a short-term basis, \$8 million from the San Diego County Treasurer's Office in order to cover deficits caused by the State's extended deferrals of apportionment payments. The funds were received from the County on September 28, 2012 and are to be repaid via withholding of property tax payments from the County to the District.

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REQUIRED SUPPLEMENTARY INFORMATION

Southwestern Community College District
Required Supplementary Information
For the year ended June 30, 2012

1. SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFITS PLANS

California State Teachers' Retirement System (CalSTRS)

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

California Public Employees' Retirement System (CalPERS)

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

Other Post Employment Benefits (OPEB)

A schedule of funding progress for the year ended June 30, 2012 including the actuarial valuations is presented below.

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Unfunded Actuarial Liabilities as Percentage of Liabilities as Covered Payroll
2/1/2012	\$ 2,784,507	\$ 14,375,645	\$ 11,591,138	19.37%	\$ 43,481,288	26.66%

SUPPLEMENTARY INFORMATION

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances
June 30, 2012

	General Fund	Prop AA Bond Fund	Prop R Bond Fund	Student Center	Capital Outlay
ASSETS					
Current assets:					
Cash and investments	\$ 8,149,698	\$ -	\$ -	\$ 200,876	\$ 2,195,670
Accounts receivable	21,830,636	595	242,311	38	1,906
Prepaid items	604,856	-	-	-	-
Due from other funds	169,244	1,652	98,613	6,879	528,058
Restricted cash and investments	-	617,995	158,852,263	141,000	-
Total current assets	30,886,814	620,242	159,193,187	348,793	2,725,634
Noncurrent assets:					
Capital assets, net	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
Total assets	\$ 30,886,814	\$ 620,242	\$ 159,193,187	\$ 348,793	\$ 2,725,634
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	10,147,689	13,687	2,849,980	-	111,426
Payroll and related liabilities	3,364,513	-	-	-	-
Compensated absences	2,415,650	-	-	-	-
Deferred revenue	4,887,462	-	-	-	-
Due to other funds	614,838	9,463	3,324	-	89,150
Deposits payable	-	-	-	-	-
Total liabilities	21,430,152	23,150	2,853,304	-	200,576
Fund Balances	9,456,662	597,092	156,339,883	348,793	2,525,058
Total liabilities and fund balances	\$ 30,886,814	\$ 620,242	\$ 159,193,187	\$ 348,793	\$ 2,725,634

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances, Continued
June 30, 2012

	Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds
ASSETS					
Current assets:					
Cash and investments	\$ 908,626	\$ 164,123	\$ 854,716	\$ 121,930	\$ 559,430
Accounts receivable	566,131	3,309	11,885	8,261	3,152
Prepaid items	-	-	-	-	-
Due from other funds	65,726	2,640	11,046	-	490
Restricted cash and investments	-	-	-	-	-
Total current assets	2,317,550	221,721	877,647	130,191	563,072
Noncurrent assets:					
Capital assets, net	79,882	73,430	43,983	-	-
Total noncurrent assets	79,882	73,430	43,983	-	-
Total assets	\$ 2,397,432	\$ 295,151	\$ 921,630	\$ 130,191	\$ 563,072
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	150,786	6,205	528	12	566,382
Payroll and related liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Deferred revenue	1,401	6,407	17,487	-	-
Due to other funds	88,051	66,778	12,744	-	-
Deposits payable	-	-	82,449	-	-
Total liabilities	240,238	79,390	113,208	12	566,382
Fund Balances	2,157,194	215,761	808,422	130,179	(3,310)
Total liabilities and fund balances	\$ 2,397,432	\$ 295,151	\$ 921,630	\$ 130,191	\$ 563,072

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances, Continued
June 30, 2012

	Bond Interest and Redemption Fund	Self Insurance	Total
ASSETS			
Current assets:			
Cash and investments	\$ -	\$ 469,947	\$ 13,625,016
Accounts receivable	-	426	22,668,650
Prepaid items	-	-	604,856
Due from other funds	-	-	884,348
Restricted cash and investments	12,313,087	-	171,924,345
Total current assets	12,313,087	470,373	210,668,311
Noncurrent assets:			
Capital assets, net	-	-	197,295
Total noncurrent assets	-	-	197,295
Total assets	\$ 12,313,087	\$ 470,373	\$ 210,865,606
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	-	-	\$ 13,846,695
Payroll and related liabilities	-	-	3,364,513
Compensated absences	-	-	2,415,650
Deferred revenue	-	-	4,912,757
Due to other funds	-	-	884,348
Deposits payable	-	-	82,449
Total liabilities	-	-	25,506,412
Fund Balances	12,313,087	470,373	185,359,194
Total liabilities and fund balances	\$ 12,313,087	\$ 470,373	\$ 210,865,606

Southwestern Community College District
Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances
to Government-Wide Statement of Net Assets
June 30, 2012

Total Fund Balances reported in the Combining Balance Sheet	\$ 185,359,194
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Amounts reported in the Statement of Net Assets are differently because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

Government-Wide capital assets	132,977,567
Less enterprise funds capital assets	(153,312)
Total capital assets not reported in the funds	132,824,255

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

Insurance claims payable	-
Retirement plans payable - due within one year	(169,838)
Retirement plans payable - due in more than one year	-
Net OPEB liability	(1,089,149)
Bonds payable - due within one year	(4,690,000)
Bonds payable - due in more than one year	(244,220,506)
Total long-term liabilities not reported in the funds	(250,169,493)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds.

(5,364,165)

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

Associated Student Trust	(808,422)
Academic Affairs	3,310
Total fiduciary activities	(805,112)

Deferred charges, such as bond issuance costs, net of accumulated amortization, were not a current financial resource and therefore were not reported in the governmental funds.

2,526,827

Net assets	\$ 64,371,506
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Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Assets
For the year ended June 30, 2012

	General Fund	Prop AA Bond Fund	Prop R Bond Fund	Student Center	Capital Outlay
OPERATING REVENUES:					
Tuition and fees	\$ 7,453,071	\$ -	\$ -	\$ 171,776	\$ -
Federal grant, non-capital	4,175,930	-	-	-	-
State grant, non-capital	174,325	-	-	-	-
Local grant, non-capital	1,938,114	-	-	-	-
Interest on student loans	-	-	-	-	-
Other operating revenues	-	-	-	-	-
Total operating revenues	13,741,440	-	-	171,776	-
OPERATING EXPENDITURES/EXPENSES:					
Salaries	63,211,187	-	2,941	-	-
Employee benefits	16,163,769	-	327	-	-
Payments to students	821,365	-	-	-	-
Supplies, materials, and other expenses	10,658,310	4,657,317	6,018,134	1,732,294	202,324
Utilities	2,145,084	-	3,239	-	-
Depreciation	-	-	-	-	-
Total operating expenditures/expenses	92,999,715	4,657,317	6,024,641	1,732,294	202,324
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(79,258,275)	(4,657,317)	(6,024,641)	(1,560,518)	(202,324)
NONOPERATING REVENUE(EXPENSES):					
Federal grant, non-capital	-	-	-	-	-
State apportionments, non-capital	53,085,435	-	-	-	-
Local property taxes, non-capital	17,588,751	-	-	-	-
State taxes and other revenues	2,588,412	-	-	-	-
Investment income	80,214	4,971	707,529	238	9,539
Other non-operating revenue(expense)	330,524	36	-	1,686,000	806,757
Debt service:					
Principal payment	-	-	-	(80,000)	-
Interest and fiscal charges	-	-	-	-	-
Total non-operating expenditures/expenses	73,673,336	5,007	707,529	1,606,238	816,296
NET INCOME(LOSS) BEFORE TRANSFERS	(5,584,939)	(4,652,310)	(5,317,112)	45,720	613,972
TRANSFERS:					
Transfers in	-	-	-	-	-
Transfers out	(552,389)	-	-	-	-
Transfers	(552,389)	-	-	-	-
Net changes in fund balance/net assets	(6,137,328)	(4,652,310)	(5,317,112)	45,720	613,972
FUND EQUITY/NET ASSETS:					
Beginning of year	15,593,990	5,249,402	161,656,995	303,073	1,911,086
End of year	<u>\$ 9,456,662</u>	<u>\$ 597,092</u>	<u>\$ 156,339,883</u>	<u>\$ 348,793</u>	<u>\$ 2,525,058</u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Assets, Continued
For the year ended June 30, 2012

	Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds
OPERATING REVENUES:					
Tuition and fees	\$ -	\$ -	\$ 307,095	\$ -	\$ -
Federal grant, non-capital	-	-	-	2,479,159	-
State grant, non-capital	-	-	-	1,060,564	-
Local grant, non-capital	-	-	-	-	-
Interest on student loans	-	-	-	-	-
Other operating revenues	-	-	6,605	-	-
Total operating revenues	3,220,136	1,288,691	313,700	3,539,723	-
OPERATING EXPENDITURES/EXPENSES:					
Salaries	548,646	660,829	80,505	-	-
Employee benefits	142,599	204,303	1,440	-	-
Payments to students	-	-	35,500	24,655,351	-
Supplies, materials, and other expenses	2,825,831	936,212	151,987	-	22
Utilities	2,213	845	6,408	-	-
Depreciation	49,183	11,249	-	-	-
Total operating expenditures/expenses	3,568,472	1,813,438	275,840	24,655,351	22
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(348,336)	(524,747)	37,860	(21,115,628)	(22)
NONOPERATING REVENUE(EXPENSES):					
Federal grant, non-capital	-	-	-	21,088,526	-
State apportionments, non-capital	-	-	-	-	-
Local property taxes, non-capital	-	-	-	-	-
State taxes and other revenues	-	-	-	-	-
Investment income	344	-	-	100	12,231
Other non-operating revenue(expense)	2,905	-	28,772	-	(20,821)
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total non-operating expenditures/expenses	3,249	-	28,772	21,088,626	(8,590)
NET INCOME(LOSS) BEFORE TRANSFERS	(345,087)	(524,747)	66,632	(27,002)	(8,612)
TRANSFERS:					
Transfers in	-	564,112	-	-	-
Transfers out	-	(11,723)	-	-	-
Transfers	-	552,389	-	-	-
Net changes in fund balance/net assets	(345,087)	27,642	66,632	(27,002)	(8,612)
FUND EQUITY/NET ASSETS:					
Beginning of year	2,502,281	188,119	741,790	157,181	5,302
End of year	<u>\$ 2,157,194</u>	<u>\$ 215,761</u>	<u>\$ 808,422</u>	<u>\$ 130,179</u>	<u>\$ (3,310)</u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Assets, Continued
For the year ended June 30, 2012

	Bond Interest and Redemption Fund	Self Insurance	Total
OPERATING REVENUES:			
Tuition and fees	\$ -	\$ -	\$ 7,931,942
Federal grant, non-capital	-	-	6,655,089
State grant, non-capital	-	-	1,234,889
Local grant, non-capital	-	-	1,938,114
Interest on student loans	-	-	-
Other operating revenues	-	-	6,605
Total operating revenues	-	-	22,275,466
OPERATING EXPENDITURES/EXPENSES:			
Salaries	-	-	64,504,108
Employee benefits	-	-	16,512,438
Payments to students	-	-	25,512,216
Supplies, materials, and other expenses	-	-	27,182,431
Utilities	-	-	2,157,789
Depreciation	-	-	60,432
Total operating expenditures/expenses	-	-	135,929,414
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	-	-	(113,653,948)
NONOPERATING REVENUE(EXPENSES):			
Federal grant, non-capital	-	-	21,088,526
State apportionments, non-capital	-	-	53,085,435
Local property taxes, non-capital	13,705,454	-	31,294,205
State taxes and other revenues	-	-	2,588,412
Investment income	47,238	2,199	864,603
Other non-operating revenue(expense)	2,096,150	-	4,930,323
Debt service:			
Principal payment	(6,280,000)	-	(6,360,000)
Interest and fiscal charges	(11,893,454)	-	(11,893,454)
Total non-operating expenditures/expenses	(2,324,612)	2,199	95,598,050
NET INCOME(LOSS) BEFORE TRANSFERS	(2,324,612)	2,199	(18,055,898)
TRANSFERS:			
Transfers in	-	-	564,112
Transfers out	-	-	(564,112)
Transfers	-	-	-
Net changes in fund balance/net assets	(2,324,612)	2,199	(18,055,898)
FUND EQUITY/NET ASSETS:			
Beginning of year	14,637,699	468,174	203,415,092
End of year	<u>\$ 12,313,087</u>	<u>\$ 470,373</u>	<u>\$ 185,359,194</u>

Southwestern Community College District
Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses and Changes in
Fund Equity to Government-Wide Statement of Revenues, Expenses and Changes in Net Assets
For the year ended June 30, 2012

Revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ (18,055,898)
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 Assets were reclassified as Supplies, Materials, and Other Expenses.	<u>11,038,252</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 Assets.	<u>(22,733)</u>
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation was not reported as an expenditure in governmental funds.	<u>(4,079,405)</u>
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest was not reported as an expenditure in governmental funds.	<u>(801,054)</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 Assets:	
Retirement plan payable	384,473
Insurance claims payable	94,327
Lease revenue bonds	80,000
General Obligation bonds	<u>6,280,000</u>
Total repayment of long-term liabilities	<u>6,838,800</u>
Amortization expense on unamortized bond premiums is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.	<u>(719,362)</u>
Net OPEB liability is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, the change in the OPEB liability is not reported as an expenditure in governmental funds.	<u>(750,948)</u>
Amortization expense on unamortized deferred charges is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.	<u>(183,066)</u>
Student activities are fiduciary activities and therefore are not reported in the government-wide statement of activities.	
Associated Student Trust	(66,632)
Academic Affairs	<u>8,612</u>
Total fiduciary activities	<u>(58,020)</u>
Change in Net Assets	<u>\$ (5,354,710)</u>

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SINGLE AUDIT

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

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

We have audited the basic financial statements of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

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

Rick J. McGeady LLP

San Diego, California
December 20, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance and Other Matters

We have audited the Southwestern Community College District's (District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express our opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

 Rick Mc Geady LLP

San Diego, California
December 20, 2012

Southwestern Community College District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure
<u>U.S. Department of Education:</u>				
Direct Programs:				
Financial Aid Cluster:				
	PELL	84.063	P063P101184	\$ 21,088,526
	SEOG	84.007	P0078100617	296,111
	Direct Loans	84.265	P268K111184	1,520,144
	Academic Competitiveness Grants	84.375	P375A101184	2,989
	Federal Work Study	84.033	P033A100617	388,570
	Sub-total			<u>23,296,340</u>
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A100052	144,004
	Career and Technical Education - National Programs	84.051	11-C01-063	1,030,001
	Tech Prep, now CTE Transitions	84.051	11-112-090	84,953
	Sub-total			<u>1,114,954</u>
	Business & International Education Program	84.153	P153A100041	40,907
Passed through Sweetwater Union High School District:				
	Gear-Up	84.334	n/a	46,407
			Total U.S. Department of Education	<u>24,642,612</u>
<u>U.S. Department of Defense:</u>				
Direct Programs:				
	Procurement Technical Assistance	12.002	SP4800-11-2-1149	317,017
			Total U.S. Department of Defense	<u>317,017</u>
<u>U.S. Department of Housing and Urban Development:</u>				
Direct Programs:				
	Hispanic-Servicing Institutions Assisting Communities	14.514	n/a	168,840
Passed through City of San Diego:				
	Small Business Micro-Enterprise	14.218	PO4500030554	29,970
	Fast Track	14.218	n/a	28,421
	Sub-total			<u>58,391</u>
			Total U.S. Department of Housing and Urban Development	<u>227,231</u>
<u>U.S. Department of Labor:</u>				
Passed through San Jose State University:				
	CA Statewide Biotechnology Clinical Laboratory Consortium Project	17.275	GJ-20049-10-60-A-6	12,320
			Total U.S. Department of Labor	<u>12,320</u>
<u>National Science Foundation:</u>				
Direct Programs:				
	Proposal Preparation Workshop for Two-Year College Chemistry	47.076	DUE 0924269	2,822
	Geospatial Technology (GST)	47.076	DUE 0802408	52,190
	STEM Talent Expansion Program (STEP)	47.076	DUE 0653234	71,047
	Biotechnology Education and Training Sequence Investment (BETSI) II	47.076	DUE 0702980	34,145
	iLaser	47.076	DUE 1118663	85,704
	Chemistry Collaborations, Workshop & Communities of Scholars	47.076	SP00010602-04	5,412
Passed through Sierra Medical, Inc.:				
	Synthesis of High Quality Antimony Electrodes	47.076	IIP 0900987	5,193
	Formulation and Infrared Characterization of Polymeric Coating	47.076	IIP 0900988	1,559
Passed through Delmar College:				
	National Geospatial Technology Center (NGTC)	47.076	DUE-0801893	23,061
			Total National Science Foundation	<u>281,133</u>
<u>Small Business Administration:</u>				
Direct Programs:				
	2012 US SBA Supplemental	59.037	SBAHQ-12-B-0075	558,243
	2012 US SBA Grant	59.037	SBAHQ-12-B-0075	257,664
	2011 US SBA Grant	59.037	SBAHQ-12-B-0075	462,689
			Total Small Business Administration	<u>1,278,596</u>
<u>U.S. Department of Health & Human Services:</u>				
Direct Programs:				
	Bridges to the Future	93.361	AR3235.11	4,992
Passed through CA Community College Chancellor's Office				
	Temporary Assistance for Needy Families (TANF)	93.558	n/a	74,709
			Total U.S. Department of Health & Human Services	<u>79,701</u>
			Total expenditures of federal awards	<u>\$ 26,838,610</u>

Southwestern Community College District
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

1. REPORTING ENTITY

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

2. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Southwestern Community College District
Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

Section I – Summary of Audit Results

Financial Statements

Types of auditors' report issued:	Unqualified
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	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of OMB Circular A-133	No

Identification of major programs:

Major Program	CFDA	Expenditures
Financial Aid Cluster:		
PELL	84.063	\$ 21,088,526
SEOG	84.007	296,111
Federal Direct Student Loans	84.268	1,520,144
Academic Competitiveness Grants	84.375	2,989
Federal Work Study	84.033	388,570
	Total	23,296,340
Total Major Program Expenditures		\$ 23,296,340
Total Expenditures of Federal Awards		\$ 26,838,610
Percent of Total Expenditures of Federal Awards		86.80%

Dollar threshold used to distinguish between type A and type B programs **\$805,158**

Auditee qualified as low-risk auditee under section 530
of OMB Circular A-133? **No**

**Southwestern Community College District
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2012**

Section II – Financial Statement Findings

No financial statements findings were noted.

Section III- Federal Awards Findings

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

No findings or questioned costs were noted on the District's major programs for the year ended June 30, 2012.

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, 2011.

STATE COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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

We have audited the basic financial statements of the Southwestern Community College District (District) for the year ended June 30, 2012 and have issued our report thereon dated December 20, 2012.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

421 - Salaries of Classroom Instructors (Fifty Percent Law)

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

423 - Apportionment for Instructional Service Agreements/Contracts

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

424 - State General Apportionment Required Data Elements

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

425 - Residency Determination for Credit Courses

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

426 - Students Actively Enrolled

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

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

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

431 - GANN Limit Calculation

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

433 - California Work Opportunity and Responsibility to Kids (CalWORKs)

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

435 - Open Enrollment

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

437 - Instructional and Other Materials Fees

The District charges mandatory fees based on express statutory authority in accordance with §70902, §76355, and §76365 of the Education Code and California Code of Regulations, Title 5, §51012 and §59400-59408. During the year 2011 - 2012, no non-mandatory fees were charged.

438 - Health Fees and Use of Health Fee Funds

The District charges mandatory fees based on express statutory authority in accordance with §70902 and §76365 of the Education Code and California Code of Regulations, Title 5, §51012 and §54700-54710. During the year 2011 - 2012, no non-mandatory fees were charged.

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

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

475 – Disabled Student Programs and Services (DSPS)

The District served eligible DSPS student and submitted accurate student-count data for fiscal year 2011-12 to document eligible DSPS students served.

476 – Curriculum and Instruction

The District complied with the California Code of Regulations, Title 5, Parts 1 & 2, *Guidelines Related to Curriculum and Instruction* regarding the “non-credit” full-time equivalent student calculation included on the District’s Apportionment Attendance Report Form CCFS-320.

479 – To Be Arranged Hours (TBA)

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

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

Our examination was conducted in accordance with attestation standards established by the American Institution of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District’s compliance with specified requirements.

In our opinion, the District complied with the compliance requirements for the state programs listed and tested above, in all material respects with the aforementioned requirements for the year ended June 30, 2012.

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

 Ron $\frac{1}{2}$ Mc Geady LLP

San Diego, California
December 20, 2012

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OTHER SUPPLEMENTARY INFORMATION

Southwestern Community College District
Other Supplementary Information
Purpose of Schedules
For the year ended June 30, 2012

PURPOSE OF SCHEDULES

Schedule of Workload Measures for Program-Based Funding

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

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

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

Southwestern Community College District
Schedule of Workload Measures for State General Apportionment
and Annual Actual Attendance
June 30, 2012

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	12.65	-	12.65
2. Credit	11.17	-	11.17
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit	7.48	-	7.48
2. Credit	390.05	-	390.05
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,933.30	-	9,933.30
(b) Daily Census Contact Hours	1,395.01	-	1,395.01
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	326.42	-	326.42
(b) Credit	590.01	-	590.01
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	964.45	-	964.45
(b) Daily Census Contact Hours	1,139.17	-	1,139.17
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	14,769.71	-	14,769.71

Supplemental Information (subset of above information)

E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	-	-	-
(b) Credit	1,683.10	-	1,683.10

CCFS-320 Addendum

CDCP Noncredit FTES	-	-	-
Centers FTES			
(a) Noncredit	-	-	-
(b) Credit	-	-	-

Southwestern Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311)
with Audited Financial Statements
For the year ended June 30, 2012

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

	General Fund	Prop AA Fund	Prop R Fund	Student Center	Capital Outlay	Bookstore
Fund balance per the CCFS-311 at June 30, 2012	\$ 9,456,661	\$ 597,092	\$ 156,462,726	\$ 348,794	\$ 2,525,056	\$ 2,157,191
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	1	-	(122,843)	(1)	2	3
Net adjustments and reclassifications	1	-	(122,843)	(1)	2	3
Fund balance per the audited fund financial statements at June 30, 2012	\$ 9,456,662	\$ 597,092	\$ 156,339,883	\$ 348,793	\$ 2,525,058	\$ 2,157,194

Southwestern Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311)
with Audited Financial Statements, Continued
For the year ended June 30, 2012

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.

	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance
Fund balance per the CCFS-311 at June 30, 2012	\$ 224,936	\$ 890,869	\$ 130,179	\$ (3,313)	\$ 12,313,087	\$ 470,373
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	(9,175)	(82,447)	-	3	-	-
Net adjustments and reclassifications	(9,175)	(82,447)	-	3	-	-
Fund balance per the audited fund financial statements at June 30, 2012	\$ 215,761	\$ 808,422	\$ 130,179	\$ (3,310)	\$ 12,313,087	\$ 470,373

Southwestern Community College District
Budget Comparison Schedule - General Fund
For the year ended June 30, 2012

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Federal	\$ 6,751,965	\$ 4,175,930	\$ (2,576,035)
State	56,919,566	55,848,172	(1,071,394)
Local	28,405,384	27,390,674	(1,014,710)
Total revenues	<u>92,076,915</u>	<u>87,414,776</u>	<u>(4,662,139)</u>
EXPENDITURES:			
Salaries	64,075,719	63,211,187	864,532
Employee benefits	15,523,721	16,163,769	(640,048)
Payments to students	795,285	821,365	(26,080)
Supplies, materials, and other expenses	14,191,258	10,658,310	3,532,948
Utilities	2,240,932	2,145,084	95,848
Total expenditures	<u>96,826,915</u>	<u>92,999,715</u>	<u>3,827,200</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,750,000)</u>	<u>(5,584,939)</u>	<u>(834,939)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(250,000)	(552,389)	(302,389)
Total other financing sources (uses)	<u>(250,000)</u>	<u>(552,389)</u>	<u>(302,389)</u>
REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ (5,000,000)</u></u>	<u><u>(6,137,328)</u></u>	<u><u>\$ (1,137,328)</u></u>
FUND EQUITY:			
Beginning of year		<u>15,593,990</u>	
End of year		<u><u>\$ 9,456,662</u></u>	