

**Southwestern Community
College District
Proposition “Z” Bond Fund**

Chula Vista, California

**Financial Statements, Supplemental
Information and Independent Auditors’ Reports**

For the Year Ended June 30, 2018



**Southwestern Community College District
Proposition “Z” Bond Fund**

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Southwestern Community College District Proposition “Z” Bond Fund

Introduction and Citizens’ Oversight Committee Member Listing

Southwestern Community College District (District) is located entirely within San Diego County and consists of one two-year college and three Higher Education Centers. The District is fully accredited by the Accrediting Commission for the Community and Junior Colleges of the Western Association of Schools and Colleges.

The District is governed by an elected five member Board of Trustees. The five Trustees are elected in even-numbered years to four-year terms by the voters in the District. The boundaries of the District did not change during the year ended June 30, 2018.

On November 9, 2016, by majority election of the District’s registered voters, \$400,000,000 in general obligation bonds (Proposition “Z”) were authorized to be issued and sold for the benefit of the District. Proceeds from the bonds are to be used for construction, reconstruction and/or rehabilitation of facilities, including the furnishing and equipping of its facilities, acquisition, or lease of real property for its facilities and construction management by District personnel. Under the terms of Proposition “Z”, a Citizens’ Oversight Committee was established to oversee the expenditures of the Proposition “Z” proceeds. The first issuance and sale of general obligation bonds consisted of one series: Series 2016A which closed in November 2017 for \$140,000,000.

Proposition “Z” was a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed [Article XIII A, §1(b) (3) (C)] as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects [Article XIII A, §1(b) (3) (D)].

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908, was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens’ Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens’ Bond Oversight Committee was comprised of the following members as of June 30, 2018:

<u>Name</u>	<u>Consituency</u>	<u>Term</u>
Christine A. Amezcua	Student Representative	November 2017 - November 2018
Robert "Bob" Muff	Senior Citizen Group Representative	September 2016 - September 2018
J.C. Hurtado-Prater	At-Large Community Representative	September 2019 - September 2019
Andrew McKercher	At-Large Community Representative	September 2017 - September 2019
Lucas Rathe	Business Representative	September 2016 - September 2018
Matt Yagyagan	Taxpayer Organization Representative	September 2017 - September 2019
Michael Govea	Advisory or Foundation Representative	September 2016 - September 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees and
the Citizens' Bond Oversight Committee
Southwestern Community College District
Chula Vista, California

Report on Financial Statements

We have audited the accompanying financial statements of the Proposition "Z" Bond Fund (the "Bond Fund") of the Southwestern Community College District (the "District"), which comprised the balance sheet as of June 30, 2018, and the related statement of revenues, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and result of operations and change in fund balance of the Bond Fund of the District as of and for the year ended June 30, 2018 in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

As described in Note 2 to the financial statements, the financial statements present only the Proposition "Z" Bond Fund and are not intended to, and do not, present fairly the financial position of the District as of June 30, 2018, and the results of operations and changes in fund balance thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The accompanying Introduction and Citizens' Oversight Committee Member Listing, Bonded Debt of the District, Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements, and the Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual are not a required part of the basic financial statements but are other information required by the State of California Department of Education. This other information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the other information. However, we did not audit the other information and express no opinion on these schedules.

Other Reporting Required by *Government Auditing Standards*

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



San Diego, California
December 23, 2018

FINANCIAL STATEMENTS

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Southwestern Community College District
Proposition "Z" Bond Fund
Balance Sheet
June 30, 2018

ASSETS

Current assets:

Restricted cash, cash equivalents and investments	\$ 139,468,074
Total current assets	139,468,074
Total assets	\$ 139,468,074

**LIABILITIES AND
FUND BALANCE**

Current Liabilities:

Accounts payable	\$ 79,871
Due to SWCCD's General Fund	123,314
Total current liabilities	203,185
Total liabilities	203,185

Fund Balance:

Restricted for capital projects	139,264,889
Total fund balance	139,264,889
Total liabilities and fund balance	\$ 139,468,074

Southwestern Community College District
Proposition "Z" Bond Fund
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2018

REVENUES:

Investment income	\$ 713,751
Total revenues	713,751

EXPENDITURES:

Current:	
Employee benefits	208,010
Capital outlay	507,527
Total expenditures	715,537

OTHER FINANCING SOURCES (USES):

Proceeds from bond issuance	140,000,000
Premium on bond issuance	10,216,377
Costs of bond issuance	(733,325)
Transfers to SWCCD's Bond Interest and Redemption Fund	(10,216,377)
Total other financing sources (uses)	139,266,675

CHANGE IN FUND BALANCE

139,264,889

FUND BALANCE:

Beginning of year	-
End of year	\$ 139,264,889

Southwestern Community College District
Proposition “Z” Bond Fund
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1 – Definition of the Bond Fund

The Proposition “Z” Bond Fund (the “Bond Fund”) is used to account for acquisition, construction, and renovation of classrooms, science labs, libraries, and other facilities for Southwestern Community College District (the “District”). The Bond Fund is one of the capital projects funds of the District.

Note 2 – Summary of the Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The budgetary and financial accounts of the Bond Fund have been recorded and maintained in accordance with the California Community Colleges Chancellor’s Office’s *Budget and Accounting Manual*.

Fund Structure

The accompanying financial statements are used to account for the transactions of the Bond Fund as defined in Note 1 and are not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting and Measurement Focus

The Bond Fund are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Budgets and Budgetary Accounting

The Board of Trustees (the “Board”) adopts an operating budget no later than July 1, in accordance with state law. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of the budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriation by account.

Encumbrances

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

Southwestern Community College District
Proposition “Z” Bond Fund
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Investments

The California Government Code requires California banks and savings and loan associations to secure the District’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency’s deposits. California law also allows financial institutions to secure an agency’s deposits by pledging first trust deed mortgage notes having a value of 150% of an agency’s total deposits, and collateral is considered to be held in the name of the District. All District cash held by financial institutions is entirely insured or collateralized.

In accordance with Education Code §41001, the District maintains its cash in the San Diego County Treasury. The County pools these funds with those of other districts in San Diego County and invests the cash. These pooled funds are carried at cost, which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et.seq. The County is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Fair Value Measurement

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

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

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

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

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Fund are determined by its measurement focus. The Bond Fund is accounted for on a spending or “*current financial resources*” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “*available spendable resources*”. Thus, the capital assets and long-term liabilities associated with the Bond Fund are accounted for in the financial statements of the District and are not included in the accompanying financial statements.

Due to SWCCD’s General Fund

These amounts represent amounts paid by the District’s General Fund that represented general obligations of the Bond Fund and are to be repaid to the District’s General Fund.

Southwestern Community College District
Proposition “Z” Bond Fund
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Classification of Fund Balance

Fund balance is classified as follows:

Non-spendable Fund Balance – This amount indicates the portion of fund balance which cannot be spent because it is either not in spendable form, such as prepaid items, inventories or loans receivable, or legally or contractually required to be maintained intact, such as the principal portion of an endowment.

Restricted Fund Balance – This amount indicates the portion of fund balance which has been restricted a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This amount indicates the portion of fund balance which can only be used for specific purposes pursuant to formal resolution or ordinance of the Board of Trustees.

Assigned Fund Balance – This amount indicates the portion of fund balance which is constrained by the District’s intent to be used for specific purpose, but is neither restricted nor committed. The Vice President is authorized to determine and define the amount of assigned fund balance.

Unassigned Fund Balance – This amount indicates the portion of fund balance that does not fall into one of the above categories.

Spending Policy

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the District’s policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance:

- Restricted
- Committed
- Assigned
- Unassigned

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from the reported.

**Southwestern Community College District
Proposition “Z” Bond Fund
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018**

Note 3 – Cash, Cash Equivalents and Investments

The following is a summary of the Bond Fund’s cash, cash equivalents and investments at June 30, 2018:

	Amount
Cash in County treasury	\$ 139,468,074
Total cash and investments	\$ 139,468,074

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

	Amount	Measurement Input
Cash and cash equivalents:		
Cash in County treasury	\$ 139,468,074	Level 2
Total cash and cash equivalents	139,468,074	
Total cash and investments	\$ 139,468,074	

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 Bond Fund’s investments are highly sensitive to interest rate fluctuation.

Concentration of Credit Risk

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

Custodial Credit Risk

The custodial credit risk for 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.

Southwestern Community College District
Proposition “Z” Bond Fund
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Expenditures by Project

Bond Fund expenditures by project for the year ended June 30, 2018 consisted of the following:

<u>Project Name</u>	<u>Expenditures</u>
Performing Arts Center	\$ 307,266
IT	208,010
Other	<u>200,261</u>
Total Bond Fund expenditures	<u><u>\$ 715,537</u></u>

Note 5 – 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.

Construction

In addition to construction amounts included in accounts payable and accrued liabilities, the Bond Fund has construction commitments of approximately \$6,433,348 as of June 30, 2018.

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OTHER INFORMATION

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Southwestern Community College District
Proposition “Z” Bond Fund
Bonded Debt of the District
For the Year Ended June 30, 2018

In June, 2011, as authorized by the registered voters of the Southwestern Community College District in the election of November 4, 2008, the District issued 2008 General Obligation Bonds, Series C in the amount of \$68,730,371. Proceeds from the sale of the bonds are used to finance the construction and renovation of classrooms and other college facilities throughout the District. The bonds were issued at a premium of \$716,045. In addition, there were bond issuance costs of \$641,922.

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.

The bonds are solely payable from ad valorem property taxes levied. The District pledged all ad valorem property tax levied and collected to repay the outstanding principal and interest of the 2008 General Obligation Bonds Series C. Total principal and interest remaining on the bonds as of June 30, 2018 is \$205,094,326.

In August, 2015, as authorized by the registered voters of the Southwestern Community College District in the election of November 4, 2008, the District issued 2008 General Obligation Bonds, Series D in the amount of \$121,649,325. Proceeds from the sale of the bonds are used to finance the construction and renovation of classrooms and other college facilities throughout the District. The bonds were issued at a premium of \$8,387,579. In addition, there were bond issuance costs of \$791,597.

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

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

The bonds are solely payable from ad valorem property taxes levied. The District pledged all ad valorem property tax levied and collected to repay the outstanding principal and interest of the 2008 General Obligation Bonds Series D. Total principal and interest remaining on the bonds as of June 30, 2018 is \$261,472,769.

In August 2017, the District authorized the sale and issuance of the 2017 General Obligation Refunding Bonds Series A and B, in the amounts of \$3,400,000 and \$84,335,000, respectively. Proceeds from the sale of the bonds were used to advance refund the remaining balances of the District's Election of 2008 General Obligation Bonds, Series A and B and to pay costs of issuing the bonds. Interest is payable February 1 and August 1, commencing February 1, 2018 at interest rates ranging from 3.0% to 5.0%. Principal is payable August 1, commencing August 1, 2020 and August 1, 2022 for Series A and B, respectively, and through the maturity dates of August 1, 2021 and August 1, 2039 for Series A and B, respectively. The bonds were issued at premiums of \$335,362 and \$13,491,677, for Series A and B, respectively, and the refunding transaction resulted in a deferred loss on refunding of \$4,123,345 to be amortized through the remaining life of the new bonds. The aggregate debt service payments of the new debt are \$7,438,394 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt service payments) of approximately \$13,147,462.

**Southwestern Community College District
Proposition “Z” Bond Fund
Bonded Debt of the District (Continued)
For the Year Ended June 30, 2018**

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

On November 30, 2017, as authorized by the registered voters of the Southwestern Community College District in the election of November 9, 2016, the District issued 2016 General Obligation Bonds, Series A in the amount of \$140,000,000. Proceeds from the sale of the bonds are used to finance the repair/upgrade the campus facilities and to provide job training and support for students and veterans throughout the District. The bonds were issued at a premium of \$10,216,377. In addition, there were bond issuance costs of \$418,325.

Interest on the Series A current interest bonds with principal of \$81,515,000 is payable February 1 and August 1, commencing February 1, 2018 at rates ranging from 2.0% to 5.0%. Principal is payable August 1, commencing August 1, 2018 and through the maturity date of August 1, 2040.

Interest on the Series A capital appreciation bonds with principal of \$58,485,000 will accrete in value commencing August 1, 2018 at rates ranging from 4.00% to the maturity date of August 1, 2047.

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 2017 General Obligation Bonds Series A. Total principal and interest remaining on the bonds as of June 30, 2018 is \$207,611,620.

The outstanding bonded debt of the District as of June 30, 2018 is as follows:

	Balance			Balance	Due Within	Due In More
	July 1, 2017	Additions	Reductions	June 30, 2018	One Year	Than One Year
Bonds:						
GO Bond 2008, Series C	\$ 66,095,370	\$ -	\$ (260,000)	\$ 65,835,370	\$ 345,000	\$ 65,490,370
GO Bond 2008, Series D	119,229,325	-	(3,110,000)	116,119,325	135,000	115,984,325
GO Bond 2016, Refunding Series A	3,400,000	-	-	3,400,000	-	3,400,000
GO Bond 2016, Refunding Series B	84,335,000	-	-	84,335,000	-	84,335,000
GO Bond 2016, Series A	-	140,000,000	-	140,000,000	12,100,000	127,900,000
Total	\$ 273,059,695	\$ 140,000,000	\$ (3,370,000)	\$ 181,954,695	\$ 480,000	\$ 181,474,695
Unamortized bond premium	21,611,160	10,216,377	(1,268,320)	30,559,217	-	30,559,217
Total	\$ 294,670,855	\$ 150,216,377	\$ (4,638,320)	\$ 212,513,912	\$ 480,000	\$ 212,033,912

**Southwestern Community College District
Proposition “Z” Bond Fund
Bonded Debt of the District (Continued)
For the Year Ended June 30, 2018**

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

	2008 SERIES C			2008 SERIES D		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 345,000	\$ 2,805,763	\$ 3,150,763	\$ 135,000	\$ 3,695,025	\$ 3,830,025
2020	440,000	2,787,863	3,227,863	-	3,693,000	3,693,000
2021	545,000	2,763,238	3,308,238	276,219	3,726,780	4,002,999
2022	655,000	2,733,238	3,388,238	547,488	3,785,512	4,333,000
2023	775,000	2,697,488	3,472,488	812,378	3,875,622	4,688,000
2024-2028	5,930,000	12,722,813	18,652,813	7,518,081	21,956,918	29,474,999
2029-2033	10,300,000	10,711,250	21,011,250	11,695,112	30,024,886	41,719,998
2034-2038	16,360,000	7,279,694	23,639,694	14,763,963	42,802,032	57,565,995
2039-2043	24,257,746	33,641,065	57,898,811	45,741,084	30,016,419	75,757,503
2044-2047	6,227,624	61,116,544	67,344,168	34,630,000	1,777,250	36,407,250
	<u>\$ 65,835,370</u>	<u>\$ 139,258,956</u>	<u>\$ 205,094,326</u>	<u>\$ 116,119,325</u>	<u>\$ 145,353,444</u>	<u>\$ 261,472,769</u>

	2016 REFUNDING, SERIES A			2016 REFUNDING, SERIES B		
	Principal	Interest	Total	Principal	Interest	Interest
2019	\$ -	\$ 102,000	\$ 102,000	\$ -	\$ 3,391,100	\$ 3,391,100
2020	-	102,000	102,000	-	3,391,100	3,391,100
2021	1,600,000	78,000	1,678,000	-	3,391,100	3,391,100
2022	1,800,000	2,700	1,802,700	-	3,391,100	3,391,100
2023	-	-	-	1,905,000	3,353,000	5,258,000
2024-2028	-	-	-	13,370,000	15,330,125	28,700,125
2029-2033	-	-	-	21,490,000	11,611,125	33,101,125
2034-2038	-	-	-	31,490,000	6,549,200	38,039,200
2039-2040	-	-	-	16,080,000	654,000	16,734,000
	<u>\$ 3,400,000</u>	<u>\$ 284,700</u>	<u>\$ 3,684,700</u>	<u>\$ 84,335,000</u>	<u>\$ 51,061,850</u>	<u>\$ 135,396,850</u>

	2016 SERIES A		
	Principal	Interest	Total
2019	\$ 12,100,000	\$ 4,374,867	\$ 3,077,863
2020	13,350,000	4,828,543	3,150,763
2022	-	4,129,943	3,308,238
2023	-	4,129,943	3,388,238
2024-2028	2,735,000	20,435,215	18,216,438
2029-2033	9,000,000	19,066,965	20,515,119
2034-2038	17,605,000	16,458,265	23,087,813
2039-2043	29,235,000	12,046,858	46,566,402
2044-2048	45,185,000	4,816,500	83,072,883
	<u>\$ 140,000,000</u>	<u>\$ 94,632,842</u>	<u>\$ 207,611,620</u>

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

A reconciliation of fund balance reported to the State Chancellor's Office on the Annual Financial and Budget Report (CCFS-311) and the audited financial statements is as follows:

	Proposition "Z" Fund
Fund balance per the CCFS-311 at June 30, 2018	\$ 139,264,889
Miscellaneous adjustments and reclassifications	-
Net adjustments and reclassifications	-
Fund balance per the audited fund financial statements at June 30, 2018	\$ 139,264,889

Southwestern Community College District
Proposition "Z" Bond Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

REVENUES:	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Investment income	\$ -	\$ 713,751	\$ (713,751)
Total revenues	<u>-</u>	<u>713,751</u>	<u>(713,751)</u>
EXPENDITURES:			
Current:			
Employee benefits	-	208,010	(208,010)
Capital outlay	<u>6,820,152</u>	<u>507,527</u>	<u>6,312,625</u>
Total expenditures	<u>6,820,152</u>	<u>715,537</u>	<u>6,104,615</u>
REVENUES OVER			
(UNDER) EXPENDITURES	<u>(6,820,152)</u>	<u>(1,786)</u>	<u>(6,818,366)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from bond issuance	140,000,000	140,000,000	-
Premium on bond issuance	-	10,216,377	(10,216,377)
Costs of bond issuance	-	(733,325)	733,325
Transfers to SWCCD's Bond Interest and Redemption Fund	<u>-</u>	<u>(10,216,377)</u>	<u>10,216,377</u>
Total other financing sources (uses)	<u>140,000,000</u>	<u>139,266,675</u>	<u>733,325</u>
Change in fund balance	<u><u>133,179,848</u></u>	<u>139,264,889</u>	<u>(6,085,041)</u>
FUND BALANCE:			
Beginning of year		<u>-</u>	
End of year		<u><u>\$ 139,264,889</u></u>	

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OTHER REPORTS

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

Independent Auditors' Report

The Board of Trustees and
the Citizens' Bond Oversight Committee
Southwestern Community College District
Chula Vista, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the Proposition "Z" Bond Fund ("Bond Fund") of the Southwestern Community College District ("District") which comprise the balance sheet as of June 30, 2018 and the related statement of revenues, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 23, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond Fund'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*.

Purpose of this Report

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

The PwC Group, LLP

San Diego, California
December 23, 2018



INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Trustees and
the Citizens' Bond Oversight Committee
Southwestern Community College District
Chula Vista, California

We conducted a performance audit of the Proposition 39/Proposition "Z" General Obligation Bonds of the Southwestern Community College District (the "District") for the fiscal year ended June 30, 2018.

We conducted our performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. Our audit was limited to the objectives listed below, which includes determining the District's compliance with the performance requirements for the Proposition 39/ Proposition "Z" General Obligation Bonds under the applicable provisions of Section 1 (b)(3)(C) of Article XIII A of the California Constitution and Proposition as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Objectives

The objectives of our performance audit were to:

- Obtain documents detailing the expenditures charged to the District's Proposition "Z" General Obligation Bonds-funded capital outlay projects.
- Determine whether the proceeds of the sale of the Proposition "Z" Bonds were used for the purposes set forth in the ballot measure and not for any other purpose, including teacher and administrator salaries and other college operating expenses.
- Provide the District Board of Trustees with a performance audit report as required under the provision of the California Constitution and Proposition 39.

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. We determined the Citizens' Bond Oversight Committee was formed timely. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2018 were not reviewed or included within the scope of our audit or in this report.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if the internal controls were adequate to ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1 (b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing a conclusion on the effectiveness of internal control over compliance with the performance requirements of Proposition 39/Proposition "Z". Accordingly, we express no such conclusion.

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Conclusion:

We conclude, the District complied, in all material respects, with the performance requirements of the Proposition 39, as specified by Section 1 (b)(3)(C) of Article XIII A of the California Constitution for the year ended June 30, 2018. In addition, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with *Government Auditing Standards*.

The PwC Group, LLP

San Diego, California
December 23, 2018

Southwestern Community College District
Proposition “Z” Bond Fund
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

A – Current Year Findings and Questioned Costs – Bond Fund Performance Audit

There were no findings or questioned costs related to the performance audit of the Bond Fund for the year ended June 30, 2018.

B – Prior Year Findings and Questioned Costs – Bond Fund Performance Audit

There were no findings or questioned costs related to the performance audit of the Bond Fund for the year ended June 30, 2017.

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