

Southwestern Community College District

Chula Vista, California

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

For the Year Ended June 30, 2016



Southwestern Community College District

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Southwestern Community College District

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Southwestern Community College District

Introductory Section

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

The Governing Board for the fiscal year ended June 30, 2016 was composed of the following members:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Norma L. Hernandez	President	November 2018
Nora E. Vargas	Vice President	November 2018
Griselda Delgado	Board Member	November 2016
Tim Nader	Board Member	November 2018
Humberto Peraza, Jr.	Board Member	November 2016
Melissa Rodriguez	Student Board Member	May 2016

The Executive and Senior Administration for the fiscal year ended June 30, 2016 was composed of the following members:

<u>Member</u>	<u>Office</u>
Melinda Nish, Ed.D.	Superintendent/President
Timothy Flood	Vice-President for Business & Financial Affairs
Karl Sparks	Interim Vice-President, Human Resources
Kathy Tyner	Vice-President for Academic Affairs
Angelica Suarez, Ph.D.	Vice-President for Student Affairs

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, the fiduciary funds, and the aggregate discretely presented component units of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southwestern College Foundation (the "Foundation"), which represents 100%, 100%, and 100%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors, whose report dated December 5, 2016 has been furnished to us, and our opinion on the basic financial statements of the District, insofar as it relates to the Foundation, is based solely on the report of the other auditors.

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary funds of the District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Changes in Proportionate Share of the Net Pension Liability – CalSTRS and CalPERS, Schedules of Contributions – CalSTRS and CalPERS, and Schedule of Funding Progress for Other Post Employment Benefits Plan on pages 5 through 9 and page 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

To the Board of Trustees
of the Southwestern Community College District
Chula Vista, California
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Our audit was performed for the purpose of forming an opinion on the basic financial statements of the District, taken as a whole. The accompanying Introductory Section, Purpose of Schedule, Schedule of Workload Measures for State General Apportionment and Annual Actual Attendance, Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements, Reconciliation of the 50% Calculation with District Accounting Records, Reconciliation of Education Protection Account Expenditures with District Accounting Records, Schedule of Expenditures of State Awards, and Budget Comparison Schedule – General Fund are not a required part of the basic financial statements but are supplementary information required by the State of California Department of Education. This other 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 Introductory Section and Other Supplementary Information. However, we did not audit the information and express no opinion on these schedules.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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

San Diego, California
December 21, 2016

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Southwestern Community College District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 2016. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Ending General Fund-Unrestricted fund balance at June 30, 2016 was \$11.6 million or 11.7% of General Fund-Unrestricted expenses.
- Funded full time equivalent students (FTES) were 15,410 in Fiscal Year (FY) 2016 and 15,428 in FY 2015. There were no unfunded FTES in either year.
- Budgeted FTES in FY 2017 are 15,410. The District decided to utilize stabilization in FY 2016 to avoid the loss of State funding and to achieve the FY 2017 FTES target of 15,410. Stabilization provides the District time to fully achieve increases in efficiencies as a result of enrollment management efforts. Stabilization allowed the District to move FY 2016 summer FTES to FY 2017.
- Due primarily to one time State funding, the General Fund-Unrestricted revenue excess for twelve month period ending June 30, 2016 was \$3,219,243 compared to an adopted budgeted deficit of \$1,001,367.
- Proposition R (Prop R) Bond Fund expenses during the year were \$22.8 million with an ending cash balance of \$177.3 million at June 30, 2016. Note #13 to the audit report as a subsequent event indicates the Proposition R Series A and Series B bonds were advanced refunded totaling \$87,735,000.
- The District issued \$121.6 million Proposition R General Obligation Bonds Series D in August 2015.
- The District implemented in FY 2015 Government Accounting Standards Board statement #68, Accounting and Financial Reporting for Pensions (GASB 68) which requires the District to report and disclose its liability to California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS). As a result, as disclosed in the Notes to these financial statements, and in the Statement of Activities and Changes in Net Position, the District's net position increased \$6.4 million to a net deficit of \$11.2 million from a net deficit of \$17.6 million at June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements consist of the following four components:

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

**Southwestern Community College District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2016**

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

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

**Table 1
Statements of Net Position**

	June 30, 2016	June 30, 2015	Changes	
Current assets	\$ 36,702,974	\$ 33,513,151	\$ 3,189,823	9.5%
Noncurrent assets	424,295,116	291,128,710	133,166,406	45.7%
Total assets	<u>460,998,090</u>	<u>324,641,861</u>	<u>136,356,229</u>	<u>42.0%</u>
Deferred outflows of resources	<u>15,453,809</u>	<u>6,403,923</u>	<u>9,049,886</u>	<u>141.3%</u>
Current liabilities	39,007,350	29,087,016	9,920,334	34.1%
Long-term liabilities	434,848,512	297,997,504	136,851,008	45.9%
Total liabilities	<u>473,855,862</u>	<u>327,084,520</u>	<u>146,771,342</u>	<u>44.9%</u>
Deferred inflows of resources	<u>13,763,890</u>	<u>21,523,511</u>	<u>(7,759,621)</u>	<u>-36.1%</u>
Net position:				
Net investment in capital assets	40,230,609	47,169,374	(6,938,765)	-14.7%
Restricted	24,827,126	15,075,536	9,751,590	64.7%
Unrestricted	<u>(76,225,588)</u>	<u>(79,807,157)</u>	<u>3,581,569</u>	<u>-4.5%</u>
Total net position	<u>\$ (11,167,853)</u>	<u>\$ (17,562,247)</u>	<u>\$ 6,394,394</u>	<u>-36.4%</u>

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

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

**Southwestern Community College District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2016**

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

**Table 2
Changes in Net Position**

	June 30, 2016	June 30, 2015	Change	
Operating revenues	\$ 21,823,223	\$ 20,655,268	\$ 1,167,955	5.7%
Operating expenses	(153,707,998)	(140,398,559)	(13,309,439)	9.5%
Deficit before depreciation and Nonoperating income and expenses	(131,884,775)	(119,743,291)	(12,141,484)	10.1%
Depreciation	(7,529,337)	(6,292,024)	(1,237,313)	19.7%
Non-operating income and expenses, net	145,808,506	126,817,219	18,991,287	15.0%
Increase (decrease) in net position	<u>\$ 6,394,394</u>	<u>\$ 781,904</u>	<u>\$ 5,612,490</u>	<u>717.8%</u>

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

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

**Table 3
Statement of Cash Flows**

	June 30, 2016	June 30, 2015
Cash provided by (used in):		
Operating activities	\$ (125,787,207)	\$ (117,962,234)
Non-capital financing activities	157,868,014	137,888,430
Capital and related financing activities	87,291,779	(49,671,779)
Investing activities	1,318,252	489,794
Net change in cash and cash equivalents	<u>120,690,838</u>	<u>(29,255,789)</u>
Cash balance, beginning of year	117,862,986	147,118,775
Cash balance, end of year	<u>\$ 238,553,824</u>	<u>\$ 117,862,986</u>

**Southwestern Community College District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2016**

CAPITAL ASSETS

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2016. These changes are presented in detail in Note 4 to the financial statements.

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

	June 30, 2016	June 30, 2015	Change	
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Buildings	128,430,311	131,977,795	(3,547,484)	-2.7%
Improvements	47,053,465	47,337,518	(284,053)	-0.6%
Equipment	1,162,466	1,297,693	(135,227)	-10.4%
Construction in progress	30,077,085	10,310,168	19,766,917	191.7%
Net capital assets	<u>\$ 216,426,475</u>	<u>\$ 200,626,322</u>	<u>\$ 15,800,153</u>	<u>7.9%</u>

LONG TERM DEBT

The following table summarizes the District's long term debt and changes therein for the year ended June 30, 2016. Changes in long term debt are presented in detail in Note 6 to the financial statements.

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

	June 30, 2016	June 30, 2015	Change	
Bonds Payable:				
Lease Revenue	\$ 980,000	\$ 1,070,000	\$ (90,000)	-8.4%
GO Bond, Series 2004	12,993,974	12,993,974	-	0.0%
GO Bond, Series 2005 Refunding Series B	11,685,001	16,390,001	(4,705,000)	-28.7%
Prop R - Series A	7,245,000	7,795,000	(550,000)	-7.1%
Prop R - Series B	89,775,000	89,775,000	-	0.0%
Prop R - Series C	66,270,371	66,370,371	(100,000)	-0.2%
Prop R - Series D	121,649,325	-	121,649,325	100.0%
GO Bond, Series 2015, Refunding	26,625,000	27,045,000	(420,000)	-1.6%
Unamortized premiums	14,589,584	7,444,454	7,145,130	96.0%
	<u>\$ 351,813,255</u>	<u>\$ 228,883,800</u>	<u>\$ 122,929,455</u>	<u>53.7%</u>

**Southwestern Community College District
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2016**

ECONOMIC FACTORS AND 2016-17 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 2016-2017 Adopted Budget (unrestricted general fund) includes revenue and expense projections based on the best information available to date. The Adopted Budget also includes sufficient reserves for the District's stability and security, including a Governing Board reserve of 7%.

The District's unrestricted general fund revenue budget for FY 2016-2017 is \$92.9 million consisting of California State principal apportionment (including faculty hiring allocation and Proposition 30 Educational Protection Act) of \$56.9 million, property taxes of \$25.4 million, enrollment fees of \$4.1 million, and \$6.5 million in other revenue including lottery proceeds of \$2.2 million, one-time additional state funding of \$1.4 million and non-resident tuition

of \$1.2 million. Unrestricted budgeted expenses of \$95.8 million exceed budgeted revenue by \$2.9 million. The Governing Board has approved the budget with this excess of expenses over revenue as the District implements strategies to eliminate the operating deficit, including the delaying, and in some cases, suspending the filling of open personnel positions resulting from a successful supplemental early retirement plan (SERP) that was offered in the fall of 2015, and reducing certain hourly payroll and supply budgets.

The District's FY 2016-2017 General Fund unrestricted budgeted expenses of \$95.8 million decreased by \$2.8 million from prior year adopted budget due primarily to a reduction in other outgo and transfers. Proposition R Bond funds that are separate from the General Fund have an expense budget of \$100.2 million. The total District-wide expense budget for all funds in FY 2016-2017 is \$236 million.

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 Position
June 30, 2016

	Primary Government District	Component Unit Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,685,183	\$ 144,421
Investments	26,796	834,702
Accounts receivable	4,924,613	-
Inventories	963,338	-
Prepaid items	49,372	13,407
Due from fiduciary funds	53,672	-
Total current assets	36,702,974	992,530
Noncurrent assets:		
Restricted cash and investments	207,868,641	-
Capital assets, net	216,426,475	-
Total noncurrent assets	424,295,116	-
Total assets	460,998,090	992,530
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows	15,453,809	-
Total deferred outflows of resources	15,453,809	-

Southwestern Community College District
Statement of Net Position (Continued)
June 30, 2016

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
LIABILITIES		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	9,762,219	2,424
Interest payable	6,520,931	-
Payroll and related liabilities	4,092,904	-
Unearned revenue	6,086,996	5,500
Due to fiduciary funds	30,000	-
Payable to County - due within one year	1,129,300	-
Compensated absences - due within one year	1,000,000	-
Bonds payable - due within one year	10,385,000	-
Total current liabilities	<u>39,007,350</u>	<u>7,924</u>
Noncurrent liabilities:		
Payable to County - due in more than one year	1,129,300	-
Compensated absences - due in more than one year	2,198,909	-
Net OPEB obligations - due in more than one year	5,426,044	-
Aggregate net pension liability - due in more than one year	84,666,004	-
Bonds payable - due in more than one year	341,428,255	-
Total noncurrent liabilities	<u>434,848,512</u>	<u>-</u>
Total liabilities	<u>473,855,862</u>	<u>7,924</u>
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows	12,105,997	-
Deferred amounts on refunding	1,657,893	-
Total deferred inflows of resources	<u>13,763,890</u>	<u>-</u>
Net Position:		
Net investment in capital assets	40,230,609	-
Restricted for:		
Special projects	-	745,418
Debt service	24,827,126	-
Total restricted	<u>24,827,126</u>	<u>745,418</u>
Unrestricted (deficit)	(76,225,588)	239,188
Total net position	<u>\$ (11,167,853)</u>	<u>\$ 984,606</u>

Southwestern Community College District
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2016

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
OPERATING REVENUES:		
Tuition and fees	\$ 7,342,908	\$ -
Grants and contracts, non-capital:		
Federal	5,834,338	-
State	2,273,091	-
Local	1,351,284	-
Total grants and contracts, non-capital	9,458,713	-
Auxiliary enterprise sales and charges, net	5,021,602	-
Other operating revenues	-	150,150
Total operating revenues	<u>21,823,223</u>	<u>150,150</u>
OPERATING EXPENSES:		
Salaries	76,472,509	-
Employee benefits	21,074,822	-
Payments to students	32,128,134	89,993
Supplies, materials, and other expenses	22,105,191	50,819
Utilities	1,927,342	-
Depreciation	7,529,337	-
Total operating expenses	<u>161,237,335</u>	<u>140,812</u>
Operating income (loss)	<u>(139,414,112)</u>	<u>9,338</u>
NONOPERATING REVENUE (EXPENSES):		
Federal grants, non-capital	25,023,357	-
State apportionments, non-capital	85,551,740	-
Local property taxes, non-capital	42,826,422	-
Investment income (loss), non-capital	1,318,252	(10,132)
Interest expense	(13,377,760)	-
Other nonoperating revenues (expenses)	4,466,495	-
Total nonoperating revenues (expenses), net	<u>145,808,506</u>	<u>(10,132)</u>
Changes in net position	6,394,394	(794)
NET POSITION (DEFICIT):		
Beginning of year	(17,562,247)	985,400
End of year	<u>\$ (11,167,853)</u>	<u>\$ 984,606</u>

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Southwestern Community College District
Statement of Cash Flows
For the Year Ended June 30, 2016

	Primary Government District	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 7,992,467	\$ -
Grants and contracts	9,458,713	-
Payments for supplies and services	(19,474,117)	(59,914)
Payments for utilities	(1,927,342)	-
Payments to/on behalf of employees	(94,698,808)	-
Payments to students	(32,128,134)	(89,993)
Auxiliary enterprise sales and charges	5,021,602	-
Other operating revenues and expenses	(31,588)	153,150
Net cash provided by (used in) operating activities	(125,787,207)	3,243
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Federal Pell grants	25,023,357	-
State apportionments	85,551,740	-
Local property taxes	42,826,422	-
Other	4,466,495	-
Net cash provided by (used in) noncapital financing activities	157,868,014	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition of capital assets	(23,341,204)	-
Disposition of capital assets	11,714	-
Proceeds from bond issuance	130,036,904	-
Costs of bond issuance	(791,597)	-
Principal paid on bonds	(5,865,000)	-
Payment of interest and fees	(12,759,038)	-
Net cash (used in) capital financing activities	87,291,779	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	-	75,774
Interest and investment proceeds	1,318,252	(25,209)
Cash provided by (used in) investing activities	1,318,252	50,565
Net increase (decrease) in cash and equivalents	120,690,838	53,808
CASH AND CASH EQUIVALENTS		
Beginning of year	117,862,986	90,613
End of year	\$ 238,553,824	\$ 144,421
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Cash and cash equivalents	\$ 30,685,183	\$ 144,421
Restricted cash and investments	207,868,641	-
Total cash and cash equivalents	\$ 238,553,824	\$ 144,421

Southwestern Community College District
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2016

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (139,414,112)	\$ 9,338
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	7,529,337	-
Change in assets and liabilities:		
Receivables	39,884	582
Inventories	122,708	-
Prepaid items	9,527	(10,907)
Due from fiduciary funds	(37,357)	-
Pension related deferred outflows	(9,049,886)	-
Accounts payable and accrued liabilities	2,498,839	1,230
Payroll and related liabilities	1,421,388	-
Unearned revenue	609,675	3,000
Due to fiduciary funds	5,769	-
Aggregate net pension liability	14,087,643	-
Pension related deferred inflows	(7,593,832)	-
Net OPEB obligations	1,708,492	-
Payable to County	2,258,600	-
Compensated absences	16,118	-
Net cash provided by (used in) operating activities	\$ (125,787,207)	\$ 3,243
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash Capital and Related Financing Activities:		
Amortization of deferred amount on bond refunding	\$ 165,789	\$ -
Amortization of bond premiums	(1,242,449)	-
Total noncash capital and related financing activities	\$ (1,242,449)	\$ -

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FIDUCIARY FUND FINANCIAL STATEMENTS

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Southwestern Community College District
Statement of Fiduciary Net Position
June 30, 2016

	Associated Student Trusts	Student Service Trust Funds	Total
ASSETS			
Current assets:			
Cash and investments	\$ 840,213	\$ 1,307,029	\$ 2,147,242
Accounts receivable	11,885	4,652	16,537
Due from District	30,000	-	30,000
Other assets	55,318	-	55,318
Total assets	<u>937,416</u>	<u>1,311,681</u>	<u>2,249,097</u>
LIABILITIES AND NET POSITION			
Liabilities:			
Accounts payable and accrued liabilities	-	1,281,323	1,281,323
Due to District	35,265	18,407	53,672
Unearned revenue	16,736	-	16,736
Deposits payable	107,846	-	107,846
Total liabilities	<u>159,847</u>	<u>1,299,730</u>	<u>1,459,577</u>
Net Position:			
Unrestricted	<u>777,569</u>	<u>11,951</u>	<u>789,520</u>
Total net position	<u>\$ 777,569</u>	<u>\$ 11,951</u>	<u>\$ 789,520</u>

Southwestern Community College District
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

	Associated Student Trusts	Student Service Trust Funds	Total
OPERATING REVENUES:			
Student fees	\$ 287,299	\$ -	\$ 287,299
Other revenues	1,714	26,428	28,142
Total operating revenues	289,013	26,428	315,441
OPERATING EXPENSES:			
Salaries and benefits	101,487	-	101,487
Payments to students	48,600	-	48,600
Supplies, materials, and other expenses	164,313	18,449	182,762
Total operating expenses	314,400	18,449	332,849
Operating income (loss)	(25,387)	7,979	(17,408)
TRANSFERS:			
Transfers from District	-	-	-
Total transfers	-	-	-
Changes in net position	(25,387)	7,979	(17,408)
NET POSITION:			
Beginning of year	802,956	3,972	806,928
End of year	<u>\$ 777,569</u>	<u>\$ 11,951</u>	<u>\$ 789,520</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Southwestern Community College District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and any other organization for which the nature and significance of their relationship with the District is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2016:

- 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.

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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

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

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

C. Cash, Cash Equivalents, and Investments

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

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

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

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

D. Restricted Cash, Cash Equivalents and Investments

Cash 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. Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Fair Value Measurement (Continued)

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

F. Accounts Receivable

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

G. Inventories

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.

H. Bond Discounts, Premiums, and Refunding Losses

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

I. Compensated Absences

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

J. Capital Assets

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

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

K. Net Position

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

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

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

L. Unearned Revenue

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

M. Pensions

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Measurement period	July 1, 2014 to June 30, 2015

<u>CalSTRS</u>	
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Measurement period	July 1, 2014 to June 30, 2015

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

N. Property Taxes

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

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

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

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

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

O. On-Behalf Payments

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

The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System (STRS) on behalf of all community college districts in California. The District recorded \$2,550,972 of revenues and expenditures for on-behalf payments in 2016.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

P. 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.

Q. 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.

R. 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.

S. Accounting Changes

In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, *Fair Value Measurement and Application*. This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Accounting Changes (Continued)

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the District’s fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017. This pronouncement did not have a material effect on the financial statements of the District.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the District’s fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the District.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes standards relating to accounting and financial reporting for certain investment pools and pool participants. This statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This statement did not have a significant impact on the District’s financial statements for the year ended June 30, 2016.

Note 2 – Cash and Investments

The following is a summary of cash and investments at June 30, 2016:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents	\$ 30,685,183	\$ 2,147,242	\$ 144,421	\$ 32,976,846
Restricted cash and cash equivalents	207,868,641	-	-	207,868,641
Total cash and cash equivalents	238,553,824	2,147,242	144,421	240,845,487
Investments	26,796	-	834,702	861,498
Total investments	26,796	-	834,702	861,498
Total cash and investments	\$ 238,580,620	\$ 2,147,242	\$ 979,123	\$ 241,706,985

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

Cash, cash equivalents, and investments consisted of the following at June 30, 2016:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents:				
Cash on hand	\$ 74,778	\$ 1,850	\$ -	\$ 76,628
Cash in bank accounts	3,064,977	2,145,392	144,421	5,354,790
Cash in County treasury	235,413,889	-	-	235,413,889
Total cash and cash equivalents	238,553,644	2,147,242	144,421	240,845,307
Investments:				
U.S. Government securities	-	-	-	-
Certificates of deposit	26,976	-	-	26,976
Equity securities	-	-	457,379	457,379
Mutual funds	-	-	377,323	377,323
Total investments	26,976	-	834,702	861,678
Total cash and investments	\$ 238,580,620	\$ 2,147,242	\$ 979,123	\$ 241,706,985

San Diego County Investment Pool

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

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

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

At June 30, 2016, the District had \$235,413,889 invested in the San Diego County Investment Pool.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

Restricted Cash and Investments

As of June 30, 2016, the District had restricted cash and investments totaling \$207,868,641. This amount is restricted to be used for acquisition, construction, renovation, repair, and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District.

Fair Value Measurement

As of June 30, 2016, the District’s investments had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ 26,796	\$ 26,796

As of June 30, 2016, the Foundation’s investments had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Total
Mutual Funds	\$ -	\$ 377,323	\$ 377,323
Equities	457,379	-	457,379
Total	<u>\$ 457,379</u>	<u>\$ 377,323</u>	<u>\$ 834,702</u>

Disclosures Relating to Interest Rate Risk

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

Disclosures Relating to Credit Risk

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

	Business-Type		Moody's	Standard & Poor's
	Activities Fair Value	Foundation Fair Value		
Mutual Funds	\$ -	\$ 377,323	A2	A
Equities	-	457,379	Not Rated	Not Rated
Certificates of deposit	26,796	-	Not Rated	Not Rated
	<u>\$ 26,796</u>	<u>\$ 834,702</u>		

Disclosures Relating to Concentration of Credit Risk

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

Disclosures Relating to Custodial Credit Risk

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

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

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

Note 3 – Accounts Receivable

The following is a summary of receivables at June 30, 2016:

	Business-type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Grants:				
Federal	\$ 1,326,203	\$ -	\$ -	\$ 1,326,203
State	713,132	-	-	713,132
Local	1,860,155	-	-	1,860,155
Total grants	<u>3,899,490</u>	<u>-</u>	<u>-</u>	<u>3,899,490</u>
State Apportionments	135,278	-	-	135,278
Lottery Apportionments	753,333	-	-	753,333
Other	136,512	16,537	-	153,049
Total	<u><u>\$ 4,924,613</u></u>	<u><u>\$ 16,537</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,941,150</u></u>

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 4 – Capital Assets

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Nondepreciable:					
Land	\$ 9,703,148	\$ -	\$ -	\$ -	\$ 9,703,148
Construction in progress	10,310,168	22,848,023	-	(3,081,106)	30,077,085
Total nondepreciable	20,013,316	22,848,023	-	(3,081,106)	39,780,233
Depreciable:					
Site improvements	60,644,985	134,240	-	3,081,106	63,860,331
Buildings	164,281,769	-	-	-	164,281,769
Equipment	6,341,807	358,941	(390,958)	-	6,309,790
Total depreciable, at cost	231,268,561	493,181	(390,958)	3,081,106	234,451,890
Less accumulated depreciation:					
Site improvements	(13,307,467)	(3,499,399)	-	-	(16,806,866)
Buildings	(32,303,974)	(3,547,484)	-	-	(35,851,458)
Equipment	(5,044,114)	(482,454)	379,244	-	(5,147,324)
Total accumulated depreciation	(50,655,555)	(7,529,337)	379,244	-	(57,805,648)
Total depreciable, net	180,613,006	(7,036,156)	(11,714)	3,081,106	176,646,242
Total capital assets, net	\$ 200,626,322	\$ 15,811,867	\$ (11,714)	\$ -	\$ 216,426,475

Depreciation expense for capital assets for the year ended June 30, 2016 was \$7,529,337.

Note 5 – Unearned Revenue

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2016 for the subsequent 2016-2017 year. As of June 30, 2016, the District's unearned revenue balance consists of the following:

	Business-Type Activities	Fiduciary		Total
		Fund Financial Statements	Foundation	
Federal sources	\$ 1,192,043	\$ -	\$ -	\$ 1,192,043
State sources	4,005,454	-	-	4,005,454
Enrollment fees	678,614	-	-	678,614
Other local sources	210,885	16,736	5,500	233,121
	\$ 6,086,996	\$ 16,736	\$ 5,500	\$ 6,109,232

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year	Due In More Than One Year
Bonds payable:						
Lease Revenue Bonds	\$ 1,070,000	\$ -	\$ (90,000)	\$ 980,000	\$ 90,000	\$ 890,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2005, Refunding Series B	16,390,001	-	(4,705,000)	11,685,001	5,290,000	6,395,001
GO Bond 2008, Series A	7,795,000	-	(550,000)	7,245,000	715,000	6,530,000
GO Bond 2008, Series B	89,775,000	-	-	89,775,000	-	89,775,000
GO Bond 2008, Series C	66,370,371	-	(100,000)	66,270,371	175,000	66,095,371
GO Bond 2008, Series D	-	121,649,325	-	121,649,325	2,420,000	119,229,325
GO Bond 2015, Refunding	27,045,000	-	(420,000)	26,625,000	1,695,000	24,930,000
Unamortized premiums	7,444,454	8,387,579	(1,242,449)	14,589,584	-	14,589,584
Total bonds payable	228,883,800	130,036,904	(7,107,449)	351,813,255	10,385,000	341,428,255
Payable to County	-	3,387,900	(1,129,300)	2,258,600	1,129,300	1,129,300
Compensated absences	3,182,791	2,719,887	(2,703,769)	3,198,909	1,000,000	2,198,909
Total	\$ 232,066,591	\$ 136,144,691	\$ (10,940,518)	\$ 355,012,164	\$ 11,385,000	\$ 343,627,164

Lease Revenue Bonds

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

Lease Revenue Bonds (Continued)

The District pledged all lease revenue to repay the outstanding principal and interest of the Lease Revenue Bonds. Total principal and interest remaining on the bonds at June 30, 2016 is \$1,144,886, payable through 2024.

The annual requirements for debt service outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 90,000	\$ 32,344	\$ 122,344
2018	95,000	29,569	124,569
2019	100,000	26,644	126,644
2020	100,000	23,644	123,644
2021	105,000	20,044	125,044
2022-2024	490,000	32,641	522,641
Total	\$ 980,000	\$ 164,886	\$ 1,144,886

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, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	2,866,505	8,293,775	11,160,280
2027-2030	10,127,469	21,147,251	31,274,720
Total	\$ 12,993,974	\$ 29,441,026	\$ 42,435,000

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

General Obligation Bonds – 2005 Refunding Series B

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

The bonds are solely payable from *ad valorem* property taxes levied. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District pledged *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds – 2005 Refunding Series B. Total principal and interest remaining on the bonds is \$12,351,882, payable through fiscal year 2019.

The annual requirements for debt service outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 5,290,000	\$ 474,600	\$ 5,764,600
2018	5,930,000	180,075	6,110,075
2019	465,001	12,206	477,207
Total	\$ 11,685,001	\$ 666,881	\$ 12,351,882

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

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

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.

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

Interest on the Series D current interest bonds with principal of \$79,525,000 is payable February 1 and August 1, commencing February 1, 2016 at rates ranging from 2.0% to 5.0%. Principal is payable August 1, commencing August 1, 2016 and through the maturity date of August 1, 2044.

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

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

The 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, 2016 is \$7,572,576, \$200,775,096, \$200,684,649, and \$274,607,669 for Series A, B, C, and D, respectively.

The annual requirements for debt service outstanding at June 30, 2016 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2017	\$ 715,000	\$ 378,813	\$ 1,093,813
2018	895,000	334,538	1,229,538
2019	1,085,000	280,088	1,365,088
2020	1,290,000	214,775	1,504,775
2021	1,510,000	137,775	1,647,775
2022	1,750,000	48,125	1,798,125
Total	\$ 7,245,000	\$ 1,394,114	\$ 8,639,114

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

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

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
2017	\$ -	\$ 6,401,727	\$ 6,401,727
2018	-	6,401,727	6,401,727
2019	-	6,401,727	6,401,727
2020	-	6,401,727	6,401,727
2021	-	6,401,727	6,401,727
2022-2026	9,500,000	30,880,801	40,380,801
2027-2031	18,735,000	25,810,355	44,545,355
2032-2036	28,885,000	17,361,312	46,246,312
2037-2040	32,655,000	4,938,993	37,593,993
Total	\$ 89,775,000	\$ 111,000,096	\$ 200,775,096

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
2017	\$ 175,000	\$ 2,826,563	\$ 3,001,563
2018	260,000	2,817,863	3,077,863
2019	345,000	2,805,763	3,150,763
2020	440,000	2,787,863	3,227,863
2021	545,000	2,763,238	3,308,238
2022-2026	4,545,000	13,245,438	17,790,438
2027-2031	8,375,000	11,654,938	20,029,938
2032-2036	13,700,000	8,850,925	22,550,925
2037-2041	27,994,289	7,513,419	35,507,708
2042-2046	8,442,253	75,096,673	83,538,926
2047	1,448,829	16,531,172	17,980,001
Total	\$ 66,270,371	\$ 146,893,855	\$ 213,164,226

Year Ending June 30,	SERIES D		
	Principal	Interest	Total
2017	\$ 2,420,000	\$ 3,845,650	\$ 6,265,650
2018	3,110,000	3,759,250	6,869,250
2019	135,000	3,695,025	3,830,025
2020	-	3,693,000	3,693,000
2021	276,219	3,726,780	4,002,999
2022-2026	5,253,170	20,156,830	25,410,000
2027-2031	10,232,929	26,207,069	36,439,998
2032-2036	13,624,841	37,106,154	50,730,995
2037-2041	24,277,166	44,103,336	68,380,502
2042-2046	62,320,000	6,665,250	68,985,250
Total	\$ 121,649,325	\$ 152,958,344	\$ 274,607,669

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

General Obligation Refunding Bonds – 2015

In August 2014, the District authorized the sale and issuance of 2015 General Obligation Refunding Bonds, in the amount of \$27,045,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District’s 2005 General Obligation Bonds, Election of 2000, Series 2005. Interest is payable February 1 and August 1, commencing August 1, 2015 at 5.0%. Principal is payable August 1, commencing August 1, 2015 and through the maturity date February 1, 2026. The bonds were issued at a premium of \$4,030,391 and the refunding transaction resulted in a deferred loss on refunding of \$1,823,862 to be amortized through the remaining life of the new bonds. The aggregate debt service payments of the new debt are \$3,698,626 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt service payments) of approximately \$3,247,455. Total principal and interest remaining on the bonds as of June 30, 2016 is \$34,185,425.

The annual requirements for debt service outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,695,000	\$ 1,233,025	\$ 2,928,025
2018	1,850,000	1,170,600	3,020,600
2019	2,040,000	1,092,800	3,132,800
2020	2,230,000	996,250	3,226,250
2021	2,460,000	879,000	3,339,000
2022-2026	16,350,000	2,188,750	18,538,750
Total	\$ 26,625,000	\$ 7,560,425	\$ 34,185,425

Payable to County

Pursuant to an agreement with the San Diego County Schools Fringe Benefits Consortium, the District offered an early retirement incentive program to eligible full-time certificated academic employees for the 2015-2016 fiscal year. The early retirement incentive was offered at 75% of the employee’s annual base salary to be paid in three installments into the San Diego County Schools Fringe Benefits Consortium 403(b) Plan. The initial liability recorded was \$3,387,900, payable in annual installments of \$1,129,300. At June 30, 2016, the outstanding balance was \$2,258,600.

Compensated Absences

The District’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$3,198,909 at June 30, 2016.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Notes 7 – Other Post Employment Benefits

Plan Description

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

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

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

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

Funding Policy

Through June 30, 2013, the District has contributed \$3.2 million to an irrevocable trust with the Community College League of California – Joint Powers Authority (CCLC-JPA). The District contributed \$0 during fiscal year 2016. At June 30, 2016, the market value of the irrevocable trust was \$3,635,341.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Notes 7 – Other Post Employment Benefits (Continued)

Annual OPEB Cost

For the year ended June 30, 2016, the District’s Annual Required Contribution (“ARC”) for OPEB was \$1,708,492. 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
6/30/2014	\$ 1,066,867	-	0%	\$ (1,066,867)	\$ (2,650,685)
6/30/2015	1,066,867	-	0%	(1,066,867)	(3,717,552)
6/30/2016	1,708,492	-	0%	(1,708,492)	(5,426,044)

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	Estimated Covered Payroll	Unfunded Actuarial Liabilities as Percentage of Covered Payroll
2/1/2016	\$ 3,299,929	\$ 19,539,240	\$ 16,239,311	16.89%	\$ 47,098,200	34.48%

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, 2016. In that valuation, the Entry Aged Normal Cost Method was used. The actuarial assumptions included a 6.75% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 4%, and a 2.75% 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, 2016 was 29 years.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans

A. Summary

Net Pension Liability

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

	Net Pension Liability
CalPERS Pension Plan	\$ 30,806,804
CalSTRS Pension Plan	53,859,200
Total	\$ 84,666,004

Deferred Outflows of Resources

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

	Deferred Employer Pension Contributions Made after the Measurement Date	Employer's Actual Contributions in Excess of Employer's Proportionate Share of Contributions	Difference Between Actual and Expected Experience	Total
CalPERS Pension Plan	\$ 2,824,088	\$ 6,134,001	\$ 1,744,677	\$ 10,702,766
CalSTRS Pension Plan	4,510,356	240,687	-	4,751,043
Total	\$ 7,334,444	\$ 6,374,688	\$ 1,744,677	\$ 15,453,809

Deferred Inflows of Resources

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

	Investment Earnings Greater than Expected Earnings	Adjustments due to Differences in Proportions	Changes in Assumptions	Difference between Actual and Expected Experience	Total
CalPERS Pension Plan	\$ 1,054,852	\$ 3,867,432	\$ 1,892,856	\$ -	\$ 6,815,140
CalSTRS Pension Plan	4,391,200	-	-	899,657	5,290,857
Total	\$ 5,446,052	\$ 3,867,432	\$ 1,892,856	\$ 899,657	\$ 12,105,997

Pension Expense

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

	Net Pension Expense
CalPERS Pension Plan	\$ 4,749,251
CalSTRS Pension Plan	4,212,822
Total	\$ 8,962,073

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

Employees Covered

For the measurement period ended June 30, 2015 the following employees were covered by the benefit terms for:

	CalPERS Plan
Inactive employees or beneficiaries currently receiving benefits	604
Inactive employees entitled to but not yet receiving benefits	48
Active employees	349

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active contribution rate was 7.0% of annual payroll. The required employer’s contribution rate was 11.85% of annual payroll.

For the measurement period ended June 30, 2015, the plan’s proportionate share of aggregate employer contributions made was as follows:

Contributions - employer	\$ 2,824,261
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Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2016, the District reported net pension liability for its proportionate shares of the net pension liability as follows:

	Plan Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 6/30/14 (Valuation date)	\$ 150,395,794	\$ 119,456,327	\$ 30,939,467
Balance at: 6/30/15 (Measurement date)	149,750,931	118,944,127	30,806,804
Net Changes during 2014-2015	(644,863)	(512,200)	(132,663)

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportion June 30, 2014	0.20990%
Proportion June 30, 2015	0.20990%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2015, the District recognized pension expense in the amount of \$4,749,251 for the Plan.

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.9 years, which was obtained by dividing the total service years of 2,693,721 (the sum of remaining service lifetimes of the active employees) by 692,840 (the total number of participants: active, inactive, and retired).

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (1,054,852)
Difference between expected and actual experience	1,744,677	-
Changes in assumptions	-	(1,892,856)
Differences in proportions	-	(3,867,432)
Difference between District contributions and proportionate share of contributions	6,134,001	-
Total	\$ 7,878,678	\$ (6,815,140)

For the Plan, \$2,824,088 was reported as a deferred outflow of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2016	\$ 1,080,024
2017	760,643
2018	(2,042,050)
2019	1,264,921
2020	-
Thereafter	-
	\$ 1,063,538

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No.
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate was changed from 7.50 percent (net of administrative expenses in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

Discount Rate (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	50%	5.25%	5.71%
Global Fixed Income	17%	0.99	2.43
Inflation Sensitive	4%	0.45	3.36
Private Equity	14%	6.83	6.95
Real Estate	11%	4.50	5.13
Infrastructure and Forestl	0%	4.50	5.09
Liquidity	4%	-0.55	-1.05

¹An expected inflation of 2.5% used for this period

²An expected inflatin of 3.0% used for this period.

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

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

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
\$ 51,665,160	\$ 30,806,804	\$ 13,585,808

Pension Plan Fiduciary Net Position

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan

Plan Description

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

Under State Teachers' Retirement Law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees as of June 30, 2016.

Benefits Provided

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

Employees Covered

For the measurement period ended June 30, 2015, the following employees were covered by the benefit terms:

	CalSTRS Plan
Inactive employees or beneficiaries currently receiving benefits	1,188
Inactive employees entitled to but not yet receiving benefits	94
Active employees	687

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalSTRS' annual actuarial valuation process. For public agency cost-sharing plans, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active contribution rate was 8.0% of annual payroll for the Plan. The average employer's contribution rate was 10.73% for the Plan.

For the measurement period ended June 30, 2015, the Plan's proportionate share of aggregate employer contributions made for the Plan was as follows:

Contributions - employer	\$	3,539,234
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Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

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

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 for the Plan using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 6/30/14 (Valuation date)	\$ 199,128,800	\$ 152,379,200	\$ 46,749,600
Balance at: 6/30/15 (Measurement date)	207,316,800	153,457,600	53,859,200
Net Changes during 2014-2015	8,188,000	1,078,400	7,109,600

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

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

The District’s proportionate share of the net pension liability as of June 30, 2014 and 2015 was as follows:

Proportion June 30, 2014	0.08000%
Proportion June 30, 2015	0.08600%
Change - Increase (Decrease)	0.00600%

For the year ended June 30, 2016, the District recognized pension expense in the amount of \$4,212,822 for the Plan.

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 7 years.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (4,391,200)
Difference between actual and expected experience	-	(899,657)
Difference between District contributions and proportionate share of contributions	240,687	-
Total	\$ 240,687	\$ (5,290,857)

For the Plan, \$4,510,356 was reported as deferred outflows of resources related to pensions resulting from District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

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

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2016	\$ (1,925,921)
2017	(1,925,921)
2018	(1,927,521)
2019	951,679
2020	(109,120)
Thereafter	(113,366)
	\$ (5,050,170)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Stmt. No. 68
Actuarial Assumptions:	
Discount Rate	7.60%
Inflation	3.00%
Salary Increases	3.75%
Investment Rate of Return	7.50%, net of investment and administrative expenses
Mortality Rate Table	Custom tables based on RP2000 series tables adjusted to fit CalSTRS experience
Post Retirement Benefit Increase	2.00% simple for DB, Not applicable for DBS/CBB

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006 – June 30, 2010, including updates to salary increase, mortality and retirement rates.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expenses occur mid-year. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

Discount Rate (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

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

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return ¹
Global Equity	47.00%	4.50%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Inflation Sensitive	5.00%	3.20%
Fixed Income	20.00%	0.20%
Cash / Liquidity	1.00%	0.00%
	100%	

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.6%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.6%) or one percentage point higher (8.6%) than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate + 1% (8.60%)
\$ 86,354,793	\$ 53,859,200	\$ 27,213,410

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

Note 9 – Risk Management

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

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

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

Note 10 – Joint Ventures (Joint Powers Agreement)

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

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

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

Note 11 – Commitments and Contingencies

Litigation

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Commitments and Contingencies (Continued)

Sick Leave

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

Grants and Contracts

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

Construction

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$138,033,000 as of June 30, 2016.

Note 12 – Deficit Net Position

At June 30, 2016 the District had an unrestricted net position deficit of \$(76,225,588) and a total net position deficit of \$(11,167,853). This deficit was caused by the implementation of GASB Statements 68 and 71 in fiscal year 2015.

Note 13 – Subsequent Events

Issuance of Debt

On August 17, 2016, the District issued the 2016 General Obligation Bonds, Series A and B, in the amounts of \$3,400,000 and \$84,335,000, respectively. The Series A Bonds are being issued to advance refund all or a portion of the District's outstanding Election of 2008 General Obligation Bonds, Series A, and pay the costs of issuing the bonds. The Series B Bonds are being issued to advance refund, on a crossover basis, the District's outstanding Election of 2008 General Obligation Bonds, Series B, and pay the costs of issuing the bonds.

Voter Approval of Issuance of Debt

On November 9, 2016, voters of the District approved ballot Measure Z, which allows the District to issue up to \$400 million in general obligation bonds to repair/upgrade the campus and to provide job training and support for students and veterans.

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REQUIRED SUPPLEMENTARY INFORMATION

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**Southwestern Community College District
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2016**

Note 1 – Schedules of Changes in Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS")

Measurement Period	June 30, 2014 ¹	June 30, 2015 ¹
District's Proportion of the Net Pension Liability	0.20990%	0.20900%
District's Proportionate Share of the net Pension Liability	\$ 23,828,761	\$ 30,806,804
District's Covered-Employee Payroll	\$ 22,245,705	\$ 23,993,385
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	107.12%	128.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.38%	79.43%

California State Teachers' Retirement System ("CalSTRS")

Measurement Period	June 30, 2014 ¹	June 30, 2015 ¹
District's Proportion of the Net Pension Liability	0.08000%	0.08000%
District's Proportionate Share of the net Pension Liability	\$ 46,749,600	\$ 53,859,200
District's Covered-Employee Payroll	\$ 35,763,671	\$ 39,853,588
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	130.72%	135.14%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	76.52%	74.02%

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

Southwestern Community College District
Required Supplementary Information (Unaudited)(Continued)
For the Year Ended June 30, 2016

Note 2 – Schedules of Contributions

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS")	<u>2013-14¹</u>	<u>2014-15¹</u>	<u>2015-16¹</u>
Actuarially Determined Contribution ²	\$ 2,545,353	\$ 2,824,261	\$ 2,824,088
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(2,545,353)</u>	<u>(2,824,261)</u>	<u>(2,824,088)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ³	<u>\$ 22,245,705</u>	<u>\$ 23,993,385</u>	<u>\$ 24,713,187</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>11.44%</u>	<u>11.77%</u>	<u>11.43%</u>
 California State Teachers' Retirement System ("CalSTRS")	 <u>2013-14¹</u>	 <u>2014-15¹</u>	 <u>2015-16¹</u>
Actuarially Determined Contribution	\$ 2,954,523	\$ 3,539,234	\$ 4,510,356
Contribution in Relation to the Actuarially Determined Contribution	<u>(2,954,523)</u>	<u>(3,539,234)</u>	<u>(4,510,356)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ³	<u>\$ 35,763,671</u>	<u>\$ 39,853,588</u>	<u>\$ 41,049,196</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>8.26%</u>	<u>8.88%</u>	<u>10.99%</u>

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

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

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

Notes to Schedule

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

Changes of Assumptions: CalPERS discount rate was changed from 7.50% (net of administrative expenses) to 7.65%.

**Southwestern Community College District
Required Supplementary Information (Unaudited)(Continued)
For the Year Ended June 30, 2016**

Note 3 - Schedule of Funding Progress

Other Post Employment Benefits (OPEB)

A schedule of funding progress for the year ended June 30, 2016 including the actuarial valuations is presented below.

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Estimated Covered Payroll	Actuarial Liabilities as Percentage of Liabilities as Covered Payroll
2/1/2016	\$ 3,299,929	\$ 19,539,240	\$ 16,239,311	16.89%	\$ 47,098,200	34.48%

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SUPPLEMENTARY INFORMATION

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances
June 30, 2016

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Student Center
ASSETS					
Current assets:					
Cash and investments	\$ 24,046,236	\$ -	\$ 3,545,413	\$ -	\$ 380,413
Accounts receivable	642,144	3,721,458	4,439	274,499	344
Inventories	95,139	-	-	-	-
Prepaid items	49,372	-	-	-	-
Due from other funds	215,027	209,032	2,884,356	2	364
Restricted cash and investments	-	5,766,233	-	177,275,282	-
Total current assets	25,047,918	9,696,723	6,434,208	177,549,783	381,121
Noncurrent assets:					
Capital assets, net	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
Total assets	\$ 25,047,918	\$ 9,696,723	\$ 6,434,208	\$ 177,549,783	\$ 381,121
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	2,881,839	1,887,423	139,553	4,705,181	11,860
Payroll and related liabilities	3,635,949	456,955	-	-	-
Compensated absences	3,198,909	-	-	-	-
Unearned revenue	698,772	5,371,093	-	-	-
Due to other funds	3,008,211	209,032	-	14,141	-
Deposits payable	-	-	-	-	-
Total liabilities	13,423,680	7,924,503	139,553	4,719,322	11,860
Fund Balances	11,624,238	1,772,220	6,294,655	172,830,461	369,261
Total liabilities and fund balances	\$ 25,047,918	\$ 9,696,723	\$ 6,434,208	\$ 177,549,783	\$ 381,121

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)
June 30, 2016

	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid	Self Insurance
ASSETS					
Current assets:					
Cash and investments	\$ -	\$ 1,305,780	\$ 533,868	\$ 237,607	\$ 662,662
Accounts receivable	-	218,955	57,015	4,809	950
Inventories	-	676,476	191,723	-	-
Prepaid items	-	-	-	-	-
Due from other funds	-	19,404	9,059	-	95,025
Restricted cash and investments	24,827,126	-	-	-	-
Total current assets	<u>24,827,126</u>	<u>2,220,615</u>	<u>791,665</u>	<u>242,416</u>	<u>758,637</u>
Noncurrent assets:					
Capital assets, net	-	7,639	44,178	-	-
Total noncurrent assets	<u>-</u>	<u>7,639</u>	<u>44,178</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 24,827,126</u>	<u>\$ 2,228,254</u>	<u>\$ 835,843</u>	<u>\$ 242,416</u>	<u>\$ 758,637</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	-	136,345	-	18	-
Payroll and related liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Unearned revenue	-	2,728	14,403	-	-
Due to other funds	-	68,033	109,180	-	-
Deposits payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>207,106</u>	<u>123,583</u>	<u>18</u>	<u>-</u>
Fund Balances	24,827,126	2,021,148	712,260	242,398	758,637
Total liabilities and fund balances	<u>\$ 24,827,126</u>	<u>\$ 2,228,254</u>	<u>\$ 835,843</u>	<u>\$ 242,416</u>	<u>\$ 758,637</u>

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)
June 30, 2016

	Associated Students Trust	Student Service Trust Funds	Total
ASSETS			
Current assets:			
Cash and investments	\$ 840,213	\$ 1,307,029	\$ 32,859,221
Accounts receivable	11,885	4,652	4,941,150
Inventories	-	-	963,338
Prepaid items	-	-	49,372
Due from other funds	30,000	-	3,462,269
Restricted cash and investments	-	-	207,868,641
Total current assets	882,098	1,311,681	250,143,991
Noncurrent assets:			
Capital assets, net	55,318	-	107,135
Total noncurrent assets	55,318	-	107,135
Total assets	\$ 937,416	\$ 1,311,681	\$ 250,251,126
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	-	1,281,323	\$ 11,043,542
Payroll and related liabilities	-	-	4,092,904
Compensated absences	-	-	3,198,909
Unearned revenue	16,736	-	6,103,732
Due to other funds	35,265	18,407	3,462,269
Deposits payable	107,846	-	107,846
Total liabilities	159,847	1,299,730	28,009,202
Fund Balances	777,569	11,951	222,241,924
Total liabilities and fund balances	\$ 937,416	\$ 1,311,681	\$ 250,251,126

Southwestern Community College District
Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances
to Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances reported in the Combining Balance Sheet \$ 222,241,924

Amounts reported in the Statement of Net Position are differently because:

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

Government-Wide capital assets	216,426,475
Less enterprise funds capital assets	<u>(51,817)</u>
Total capital assets not reported in the funds	<u>216,374,658</u>

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

Net OPEB liability	(5,426,044)
Net pension liability	(84,666,004)
Due to County - due within one year	(1,129,300)
Due to County - due in more than one year	(1,129,300)
Bonds payable - due within one year	(10,385,000)
Bonds payable - due in more than one year	<u>(341,428,255)</u>
Total long-term liabilities not reported in the funds	<u>(444,163,903)</u>

Deferred amounts on bond refunding do not require current financial resources. Therefore, they are not reported in the governmental funds. (1,657,893)

Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements. 7,334,444

Deferred outflows of resources related to pensions were not reported in the governmental funds:

Deferred adjustments due negative differences in actual contributions and employer's proportionate share of contributions	6,374,688
Difference between expected and actual experience	1,744,677

Deferred inflows of resources related to pensions were not reported in the governmental funds:

Actual earnings over projected earnings	(5,446,052)
Differences in proportions	(3,867,432)
Changes in assumptions	(1,892,856)
Difference between expected and actual experience	(899,657)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds. (6,520,931)

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

Associated Student Trust	(777,569)
Academic Affairs	<u>(11,951)</u>
Total fiduciary activities	<u>(789,520)</u>

Net Position \$ (11,167,853)

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position
For the Year Ended June 30, 2016

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Student Center
OPERATING REVENUES:					
Tuition and fees	\$ 5,656,644	\$ 1,534,763	\$ -	\$ -	\$ 151,501
Federal grant, non-capital	225,742	3,028,273	-	-	-
State grant, non-capital	-	-	-	-	-
Local grant, non-capital	596,190	755,094	-	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-
Other operating revenues	-	-	-	-	-
Total operating revenues	6,478,576	5,318,130	-	-	151,501
OPERATING EXPENDITURES/EXPENSES:					
Salaries	63,860,014	11,203,134	-	55,774	-
Employee benefits	16,595,528	2,630,281	-	17,697	-
Payments to students	1,092,951	1,281,979	-	-	-
Supplies, materials, and other expenses	8,449,288	7,489,985	3,107,024	22,774,555	69,194
Utilities	1,906,702	16,244	-	-	-
Depreciation	-	-	-	-	-
Total operating expenditures/expenses	91,904,483	22,621,623	3,107,024	22,848,026	69,194
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(85,425,907)	(17,303,493)	(3,107,024)	(22,848,026)	82,307
NONOPERATING REVENUE(EXPENSES):					
Federal grant, non-capital	-	-	-	-	-
State apportionments, non-capital	70,066,563	15,485,177	-	-	-
Local property taxes, non-capital	22,664,043	-	-	-	-
Investment income	131,027	-	15,903	1,078,985	978
Other non-operating revenue(expense)	608,538	839,862	3,052,292	100,000	-
Debt service:					
Proceeds from bond issuance	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-
Deposit to escrow	-	-	-	-	-
Costs of bond issuance	-	-	-	-	-
Principal payment	-	-	-	-	(90,000)
Interest and fiscal charges	-	-	-	-	-
Total non-operating expenditures/expenses	93,470,171	16,325,039	3,068,195	1,178,985	(89,022)
INCOME(LOSS) BEFORE TRANSFERS	8,044,264	(978,454)	(38,829)	(21,669,041)	(6,715)
TRANSFERS:					
Transfers in	-	978,459	3,114,886	120,857,734	-
Transfers out	(4,825,021)	-	-	-	-
Transfers	(4,825,021)	978,459	3,114,886	120,857,734	-
Changes in fund balance/net position	3,219,243	5	3,076,057	99,188,693	(6,715)
FUND EQUITY/NET POSITION:					
Beginning of year	8,404,995	1,772,215	3,218,598	73,641,768	375,976
End of year	<u>\$ 11,624,238</u>	<u>\$ 1,772,220</u>	<u>\$ 6,294,655</u>	<u>\$ 172,830,461</u>	<u>\$ 369,261</u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position (Continued)
For the Year Ended June 30, 2016

	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid	Self Insurance
OPERATING REVENUES:					
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grant, non-capital	-	-	-	2,580,323	-
State grant, non-capital	-	-	-	2,273,091	-
Local grant, non-capital	-	-	-	-	-
Auxiliary enterprise sales and charges	-	3,234,378	1,787,224	-	-
Other operating revenues	-	-	-	-	-
Total operating revenues	-	3,234,378	1,787,224	4,853,414	-
OPERATING EXPENDITURES/EXPENSES:					
Salaries	-	581,627	771,960	-	-
Employee benefits	-	131,227	199,728	-	89,344
Payments to students	-	-	-	29,753,204	-
Supplies, materials, and other expenses	-	2,524,415	1,021,199	-	-
Utilities	-	3,321	1,075	-	-
Depreciation	-	6,260	12,666	-	-
Total operating expenditures/expenses	-	3,246,850	2,006,628	29,753,204	89,344
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	-	(12,472)	(219,404)	(24,899,790)	(89,344)
NONOPERATING REVENUE(EXPENSES):					
Federal grant, non-capital	-	-	-	25,023,357	-
State apportionments, non-capital	-	-	-	-	-
Local property taxes, non-capital	20,162,379	-	-	-	-
Investment income	87,524	201	-	14	3,620
Other non-operating revenue(expense)	439,749	44,996	-	-	184,369
Debt service:					
Proceeds from bond issuance	121,649,325	-	-	-	-
Premium on bond issuance	8,387,579	-	-	-	-
Deposit to escrow	-	-	-	-	-
Costs of bond issuance	(791,597)	-	-	-	-
Principal payment	(5,775,000)	-	-	-	-
Interest and fiscal charges	(13,550,635)	-	-	-	-
Total non-operating expenditures/expenses	130,609,324	45,197	-	25,023,371	187,989
INCOME(LOSS) BEFORE TRANSFERS	130,609,324	32,725	(219,404)	123,581	98,645
TRANSFERS:					
Transfers in	-	-	731,676	-	-
Transfers out	(120,857,734)	-	-	-	-
Transfers	(120,857,734)	-	731,676	-	-
Changes in fund balance/net position	9,751,590	32,725	512,272	123,581	98,645
FUND EQUITY/NET POSITION:					
Beginning of year	15,075,536	1,988,423	199,988	118,817	659,992
End of year	<u>\$ 24,827,126</u>	<u>\$ 2,021,148</u>	<u>\$ 712,260</u>	<u>\$ 242,398</u>	<u>\$ 758,637</u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position (Continued)
For the Year Ended June 30, 2016

	Associated Students Trust	Student Service Trust Funds	Total
OPERATING REVENUES:			
Tuition and fees	\$ 287,299	\$ -	\$ 7,630,207
Federal grant, non-capital	-	-	5,834,338
State grant, non-capital	-	-	2,273,091
Local grant, non-capital	-	-	1,351,284
Auxiliary enterprise sales and charges	-	-	5,021,602
Other operating revenues	1,714	-	1,714
Total operating revenues	289,013	-	22,112,236
OPERATING EXPENDITURES/EXPENSES:			
Salaries	99,138	-	76,571,647
Employee benefits	2,349	-	19,666,154
Payments to students	48,600	-	32,176,734
Supplies, materials, and other expenses	222,870	18,449	45,676,979
Utilities	109	-	1,927,451
Depreciation	-	-	18,926
Total operating expenditures/expenses	373,066	18,449	176,037,891
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(84,053)	(18,449)	(153,925,655)
NONOPERATING REVENUE(EXPENSES):			
Federal grant, non-capital	-	-	25,023,357
State apportionments, non-capital	-	-	85,551,740
Local property taxes, non-capital	-	-	42,826,422
Investment income	-	26,428	1,344,680
Other non-operating revenue(expense)	58,666	-	5,328,472
Debt service:			
Proceeds from bond issuance	-	-	121,649,325
Premium on bond issuance	-	-	8,387,579
Deposit to escrow	-	-	-
Costs of bond issuance	-	-	(791,597)
Principal payment	-	-	(5,865,000)
Interest and fiscal charges	-	-	(13,550,635)
Total non-operating expenditures/expenses	58,666	26,428	269,904,343
INCOME(LOSS) BEFORE TRANSFERS	(25,387)	7,979	115,978,688
TRANSFERS:			
Transfers in	-	-	125,682,755
Transfers out	-	-	(125,682,755)
Transfers	-	-	-
Changes in fund balance/net position	(25,387)	7,979	115,978,688
FUND EQUITY/NET POSITION:			
Beginning of year	802,956	3,972	106,263,236
End of year	<u>\$ 777,569</u>	<u>\$ 11,951</u>	<u>\$ 222,241,924</u>

Southwestern Community College District
Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses and Changes in
Fund Equity to Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2016

Revenues and other financing sources over (under) expenditures/expenses and other financing uses	<u>\$ 115,978,688</u>
Amounts reported in the Statement of Activities were different because:	
Capital outlay expenditures reported in the governmental funds that were not capitalized on the Government-Wide Statement of Net Position were reclassified as Supplies, Materials, and Other Expenses.	<u>23,341,204</u>
Disposal of capital assets provided current financial resources to governmental funds, but disposal of capital assets decreased capital assets in the Government-Wide Statement of Net Position.	<u>(22,449)</u>
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation was not reported as an expenditure in governmental funds (net of \$18,926 in funds).	<u>(7,510,411)</u>
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest was not reported as an expenditure in governmental funds.	<u>(1,235,363)</u>
Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:	
Lease revenue bonds	90,000
General Obligation bonds	<u>5,775,000</u>
Total repayment of long-term liabilities	<u>5,865,000</u>
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These differences are as follows:	
Proceeds from bond issuance	(121,649,325)
Premium on bond issuance	(8,387,579)
Deposit of bond issuance proceeds to escrow for bond defeasance	-
	<u>(130,036,904)</u>
Amortization expense on unamortized bond premiums is reported in the Government-Wide Statement of Activities and Changes in Net Position, but does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.	<u>(1,242,449)</u>
Changes in the amount Due to County reported in the Statement of Activities did not require the use of current financial resources and, therefore, was not reported as an expenditure in the governmental funds.	<u>(2,258,600)</u>
Changes in the net pension liability reported in the Statement of Activities did not require the use of current financial resources and, therefore, was not reported as an expenditure in the governmental funds.	<u>2,556,075</u>
Net OPEB liability is reported in the Government-Wide Statement of Activities and Changes in Net Position, 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>(1,708,492)</u>
Amortization expense on deferred amounts on refunding is reported in the Government-Wide Statement of Activities and Changes in Net Position, but does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.	<u>165,789</u>
Student activities are fiduciary activities and therefore are not reported in the government-wide statement of activities.	
Associated Student Trust	25,387
Academic Affairs	<u>(7,979)</u>
Total fiduciary activities	<u>17,408</u>
Change in Net Position	<u><u>\$ 6,394,394</u></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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

The PwC Group, LLP

San Diego, California
December 21, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements. We issued our report thereon dated December 21, 2016 which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Southwestern Community College District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure	Amount Provided to Subrecipients
<u>U.S. Department of Education:</u>					
Direct Programs:					
Financial Aid Cluster:					
	PELL	84.063	P063P101184	\$ 25,023,357	\$ -
	SEOG	84.007	P0078130617	368,763	-
	Direct Loans	84.268	P268K111184	1,383,034	-
	Federal Work Study	84.033	P033A130617	364,173	-
Sub-total Financial Aid Cluster				27,139,327	-
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A100052	31,471	-
	Career and Technical Education - National Programs	84.051	11-C01-063	815,798	-
	Tech Prep, now CTE Transitions	84.051	11-112-090	44,355	-
Sub-total 84.051				860,153	-
Total U.S. Department of Education				28,030,951	-
<u>U.S. Department of Rehabilitation:</u>					
Passed through State of California Department of Rehabilitation:					
	State Vocational Rehabilitation Program	84.126A	29018/SCPRS 1324967	112,239	-
Total U.S. Department of Rehabilitation				112,239	-
<u>U.S. Department of Defense:</u>					
Direct Programs:					
	Procurement Technical Assistance	12.002	SP4800-11-2-1149	212,371	-
Total U.S. Department of Defense				212,371	-
<u>National Science Foundation:</u>					
Direct Programs:					
	Intergovernmental Personnel Act	47.076	DUE-1118663	42,809	-
Passed through Kentucky Community & Technical College System:					
	GeoTech Center: Innovation in Geospatial Information	47.076	DUE-1304591	66,800	-
Total National Science Foundation				109,609	-
<u>Small Business Administration:</u>					
Direct Programs:					
	U.S. Small Business Administration Grant	59.037	SBAHQ-15-B-0067	1,217,857	317,507
	SBDC Portable Assistance	59.037	SBAHQ-14-B-0067	82,817	82,817
Total Small Business Administration				1,300,674	400,324
<u>U.S. Department of Veterans Affairs</u>					
Direct Programs:					
	Post-9/11 Veterans Educational Assistance	64.027	38 USC 3684	20,498	-
Total U.S. Department of Veterans Affairs				20,498	-
<u>U.S. Department of Health & Human Services:</u>					
Direct Programs:					
	Predictive Structure-Based Models of Malaria Resistance	93.859	5SC3GM100791-02	850	-
Passed through San Diego State University Research Foundation:					
	SDSU Bridges to Baccalaureate Program	93.859	55127H P1598 7804 212	3,901	-
Total U.S. Department of Health & Human Services				4,751	-
<u>U.S. Department of Homeland Security:</u>					
Passed through the U.S. Customs and Border Protection Agency:					
	Paramedic Refresher Training Course	97.UNK	AR3586.12	2,308	-
Total U.S. Department of Veterans Affairs				2,308	-
Total expenditures of federal awards				\$ 29,793,401	\$ 400,324

See Notes to Schedule of Expenditures of Federal Awards

Southwestern Community College District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 – Reporting Entity

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

Note 2 – Schedule of Expenditures of Federal Awards

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

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

**Southwestern Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Non-compliance material to the financial statements identified?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Major Program	CFDA	Expenditures
Financial Aid Cluster:		
PELL	84.063	\$ 25,023,357
SEOG	84.007	368,763
Federal Direct Student Loans	84.268	1,383,034
Federal Work Study	84.033	364,173
	Total financial aid cluster	27,139,327
	Total Major Program Expenditures	\$ 27,139,327
	Total Expenditures of Federal Awards	\$ 29,793,401
	Percent of Total Expenditures of Federal Awards	91.09%

Dollar threshold used to distinguish between type A and type B programs **\$893,802**

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

Southwestern Community College District
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

Section II – Financial Statement Findings

A. Current Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2016.

B. Prior Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2015.

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, 2016.

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, 2015.

STATE COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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

We have audited Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (the "CDAM") 2015-2016, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance based on our audit of the types of compliance referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the California Community Colleges Contracted Audit Manual (CDAM) 2015-2016, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the District's compliance with the state laws and regulations referred to above.

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

421 – Salaries of Classroom Instructors (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.

429 – Student Success and Support Program (SSSP)

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

430 – Scheduled Maintenance Program

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

431 – GANN Limit Calculation

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

435 – Open Enrollment

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

438 – Student Fees - 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 2015-2016, no non-mandatory fees were charged.

439 – Prop 39 Clean Energy

The District complied with Public Resources Code §26225-26240, Education Code 84040, Approved CCC Prop 39 Energy Project Guidelines and the Project Funding Application, as well as Public Contract Code §20133 for Prop 39 Clean Energy-funded projects for the year ended June 30, 2016.

440 – Intersession Extension Programs

The District did not have an intersession program in place during fiscal year 2015-2016; therefore, this compliance requirement is not applicable.

475 – Disabled Student Programs and Services (DSPS)

The District served eligible DSPS student and submitted accurate student-count data for fiscal year 2015-2016 to document eligible DSPS students served.

479 – To Be Arranged Hours (TBA)

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

490 – Proposition 1D State Bond Funded Projects

The District did not have any Proposition 1D State Bond funded projects for fiscal year 2015-2016; therefore, this compliance requirement is not applicable.

491 – Education Protection Account

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

Opinion

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2016.

Purpose of this Report

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

The Pen Group, LLP

San Diego, California
December 21, 2016

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OTHER SUPPLEMENTARY INFORMATION

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Southwestern Community College District
Other Supplementary Information
Purpose of Schedules
For the Year Ended June 30, 2016

PURPOSE OF SCHEDULES

Schedule of Workload Measures for Program-Based Funding

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

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

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

Reconciliation of the 50% Calculation with District Accounting Records

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

Reconciliation of the Education Protection Account Expenditures with District Accounting Records

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

Schedule of Expenditures of State Awards

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

Southwestern Community College District
Schedule of Workload Measures for State General Apportionment
and Annual Actual Attendance
For the Year Ended June 30, 2016

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit	6.65	-	6.65
2. Credit	9.42	-	9.42
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit	8.06	-	8.06
2. Credit	4.39	-	4.39
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,010.34	-	10,010.34
(b) Daily Census Contact Hours	808.85	-	808.85
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	243.23	-	243.23
(b) Credit	500.85	-	500.85
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,303.28	-	1,303.28
(b) Daily Census Contact Hours	872.36	-	872.36
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	13,767.43	-	13,767.43

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	-	1,683
<u>CCFS-320 Addendum</u>			
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, 2016**

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

	General Fund Unrestricted	General Fund Restricted	Capital Outlay	Prop R Fund	Student Center	Bond Interest and Redemption Fund
Fund balance per the CCFS-311 at June 30, 2016	\$ 11,624,240	\$ 1,772,214	\$ 6,294,656	\$ 172,830,460	\$ 369,260	\$ 24,827,126
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	(2)	6	(1)	1	1	-
Net adjustments and reclassifications	(2)	6	(1)	1	1	-
Fund balance per the audited fund financial statements at June 30, 2016	\$ 11,624,238	\$ 1,772,220	\$ 6,294,655	\$ 172,830,461	\$ 369,261	\$ 24,827,126

**Southwestern Community College District
 Reconciliation of Annual Financial and Budget Report (CCFS-311)
 with Audited Financial Statements (Continued)
 For the Year Ended June 30, 2016**

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

	Bookstore	Cafeteria	Federal Financial Aid	Self Insurance	ASO Student Clubs	Student Service Trust Funds
Fund balance per the CCFS-311 at June 30, 2016	\$ 2,021,147	\$ 712,260	\$ 242,398	\$ 758,637	\$ 885,415	\$ 11,951
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	1	-	-	-	(107,846)	-
Net adjustments and reclassifications	1	-	-	-	(107,846)	-
Fund balance per the audited fund financial statements at June 30, 2016	\$ 2,021,148	\$ 712,260	\$ 242,398	\$ 758,637	\$ 777,569	\$ 11,951

Southwestern Community College District
Reconciliation of 50% Calculation with
District Accounting Records
For the Year Ended June 30, 2016

Object /TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799			
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data	
	<u>Academic Salaries</u>						
Instructional Salaries:							
Contract or Regular	1100	\$ 17,324,529	\$ -	\$ 17,324,529	\$ 17,324,529	\$ -	\$ 17,324,529
Other	1300	15,914,437	-	15,914,437	16,116,314	-	16,116,314
Total Instructional Salaries		33,238,966	-	33,238,966	33,440,843	-	33,440,843
Non-Instructional Salaries:							
Contract or Regular	1200	-	-	-	7,866,766	-	7,866,766
Other	1400	-	-	-	573,677	-	573,677
Total Non-Instructional Salaries		-	-	-	8,440,443	-	8,440,443
Total Academic Salaries		33,238,966	-	33,238,966	41,881,286	-	41,881,286
<u>Classified Salaries</u>							
Non-Instructional Salaries:							
Regular Status	2100	-	-	-	16,211,411	-	16,211,411
Other	2300	-	-	-	1,717,025	-	1,717,025
Total Non-Instructional Salaries		-	-	-	17,928,436	-	17,928,436
Instructional Aides:							
Regular Status	2200	2,029,296	-	2,029,296	2,029,296	-	2,029,296
Other	2400	688,871	-	688,871	720,593	-	720,593
Total Instructional Aides		2,718,167	-	2,718,167	2,749,889	-	2,749,889
Total Classified Salaries		2,718,167	-	2,718,167	20,678,325	-	20,678,325
Employee Benefits	3000	10,223,627	-	10,223,627	18,552,783	-	18,552,783
Supplies and Materials	4000	-	-	-	1,474,174	-	1,474,174
Other Operating Expenses	5000	568,301	-	568,301	8,353,567	-	8,353,567
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		\$ 46,749,061	\$ -	\$ 46,749,061	\$ 90,940,135	\$ -	\$ 90,940,135
<u>Exclusions</u>							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Services							
	5900	\$ 730,694	\$ -	\$ 730,694	\$ 730,694	\$ -	\$ 730,694
Student Health Services Above Amount Collected							
	6441	-	-	-	-	-	-
Student Transportation							
	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives							
	6740	-	-	-	512,048	-	512,048
Objects to Exclude:							
Rents and Leases							
	5060	-	-	-	38,957	-	38,957
Lottery Expenditures							
		-	-	-	-	-	-
Academic Salaries							
	1000	-	-	-	-	-	-
Classified Salaries							
	2000	-	-	-	-	-	-
Employee Benefits							
	3000	-	-	-	-	-	-
Supplies and Materials:							
Software							
	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals							
	4200	-	-	-	-	-	-
Instructional Supplies & Materials							
	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials							
	4400	-	-	-	-	-	-
Total Supplies and Materials							
		-	-	-	-	-	-
Other Operating Expenses and Services							
	5000	-	-	-	2,381,013	-	2,381,013
Capital Outlay:							
Capital Outlay							
	6000	-	-	-	-	-	-
Library Books							
	6300	-	-	-	-	-	-
Equipment - Additional							
	6410	-	-	-	-	-	-
Equipment - Replacement							
	6420	-	-	-	-	-	-
Total Capital Outlay							
		-	-	-	-	-	-
Other Outgo							
	7000	-	-	-	-	-	-
Total Exclusions		\$ 730,694	\$ -	\$ 730,694	\$ 3,662,712	\$ -	\$ 3,662,712
Total for ECS 84362, 50% Law		\$ 46,018,367	\$ -	\$ 46,018,367	\$ 87,277,423	\$ -	\$ 87,277,423
Percent of CEE (Instructional Salary Cost / Total CEE)		52.73%	-	52.73%	100.00%	-	100.00%
50% of Current Expense of Education					\$ 43,638,712	-	\$ 43,638,712

**Southwestern Community College District
 Reconciliation of Education Protection Account Expenditures
 with District Accounting Records
 For the Year Ended June 30, 2016**

Education Protection Account proceeds per the CCFS-311: \$ 13,186,697

	Activity Code (0100-5900)	Salaries & Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	\$ -	\$ 13,186,697	\$ -	\$ -	\$ 13,186,697

Southwestern Community College District
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2016

State Agency	Program Name	Cash Received	Accounts Receivable	Unearned Income	Total	Total Program Expenditures
State Department of Education						
Direct Programs:						
	AB104 - Adult Education Consortium Block Grant	\$ 2,225,805	\$ -	\$ 762,792	\$ 1,463,013	\$ 1,463,013
	Adult 86 - Adult Education	12,130	-	623	11,507	11,507
	Total direct programs	2,237,935	-	763,415	1,474,520	1,474,520
Passed through California Community College Chancellor's Office:						
	Telecommunications	-	-	-	-	-
	Deputy Sector Navigator (DSN)	7,017	127,073	-	134,090	134,090
	Instructional Supplies and Materials	490,166	-	-	490,166	490,166
	Instructional Equipment and Library	774,810	753,333	395,098	1,133,045	1,133,045
	Center for International Trade Development	40,570	159,430	-	200,000	200,000
	Small Business Sector Navigator	-	7,374	-	7,374	7,374
	CTE Enhancement Fund	366,699	-	167,687	199,012	199,012
	Total passed through California Community Colleges Chancellor's Office	1,679,262	1,047,210	562,785	2,163,687	2,163,687
	Total State Department of Education	3,917,197	1,047,210	1,326,200	3,638,207	3,638,207
California Community Colleges Chancellor's Office:						
Direct Programs:						
	Basic Skills	638,742	-	262,596	376,146	376,146
	EOPS Category A	2,320,681	-	-	2,320,681	2,320,681
	EOPS CARE Support	188,447	-	-	188,447	188,447
	DSPS Programs and Services	1,880,197	-	-	1,880,197	1,880,197
	California Work Opportunity and Responsibility for Kids (CalWorks)	423,918	37,987	-	461,905	461,905
	Matriculation Assessment	4,277,255	-	967,112	3,310,143	3,310,143
	Matriculation Non-Credit	77,663	-	69,758	7,905	7,905
	Temporary Cash Assistance for Needy Families (TANF)	89,257	471	-	89,728	89,728
	Associate Degree Nursing Enrollment Growth	106,912	39,775	-	146,687	146,687
	BFAP Financial Aid Allowance	675,327	36,876	-	712,203	712,203
	Student Equity	2,552,366	-	934,232	1,618,134	1,618,134
	Title V - Puertas al Futuro	375,435	45,838	-	421,273	421,273
	Total direct programs	13,606,200	160,947	2,233,698	11,533,449	11,533,449
Passed through Rancho Santiago Community College District:						
	California State Trade and Export Program (CalSTEP)	-	-	-	-	-
	Total California Community Colleges Chancellor's Office	13,606,200	160,947	2,233,698	11,533,449	11,533,449
California Governor's Office of Business and Economic Development:						
Direct Programs:						
	Go-Biz	141,561	111,256	-	252,817	252,817
	Total California Department of Boating and Waterways	141,561	111,256	-	252,817	252,817
California Department of Boating and Waterways:						
Direct Programs:						
	Aquatic Center Grant	73,111	-	39,254	33,857	33,857
	Total California Department of Boating and Waterways	73,111	-	39,254	33,857	33,857
	Total State Programs	\$ 17,738,069	\$ 1,319,413	\$ 3,599,152	\$ 15,458,330	\$ 15,458,330

Southwestern Community College District
Budget Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	General Fund - Unrestricted			General Fund-Restricted		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
REVENUES:						
Federal	\$ 207,000	\$ 225,742	\$ 18,742	\$ 3,703,875	\$ 3,028,273	\$ (675,602)
State	67,512,663	70,066,563	2,553,900	18,906,896	15,485,177	(3,421,719)
Local	29,601,655	29,656,442	54,787	3,632,879	3,129,719	(503,160)
Total revenues	97,321,318	99,948,747	2,627,429	26,243,650	21,643,169	(4,600,481)
EXPENDITURES:						
Salaries	64,456,820	63,860,014	596,806	13,964,620	11,203,134	2,761,486
Employee benefits	17,606,981	16,595,528	1,011,453	2,882,969	2,630,281	252,688
Payments to students	100,000	1,092,951	(992,951)	1,432,897	1,281,979	150,918
Supplies, materials, and other expenses	13,861,340	8,449,288	5,412,052	8,917,431	7,489,985	1,427,446
Utilities	2,297,544	1,906,702	390,842	24,192	16,244	7,948
Total expenditures	98,322,685	91,904,483	6,418,202	27,222,109	22,621,623	4,600,486
REVENUES OVER (UNDER) EXPENDITURES	(1,001,367)	8,044,264	9,045,631	(978,459)	(978,454)	5
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	978,459	978,459	-
Transfers out	-	(4,825,021)	(4,825,021)	-	-	-
Total other financing sources (uses)	-	(4,825,021)	(4,825,021)	978,459	978,459	-
CHANGES IN FUND BALANCES	\$ (1,001,367)	3,219,243	\$ 4,220,610	\$ -	5	\$ 5
FUND BALANCES:						
Beginning of year		8,404,995			1,772,215	
End of year		<u>\$ 11,624,238</u>			<u>\$ 1,772,220</u>	