

# **Southwestern Community College District**

Chula Vista, California

## **Basic Financial Statements and Independent Auditors' Report**

*For the year ended June 30, 2013*



# Southwestern Community College District

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# Southwestern Community College District

## Introductory Section

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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, 2013 was composed of the following members:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Humberto Peraza	President	November 2016
Terri Valladolid	Vice President	November 2014
Norma L. Hernandez	Board Member	November 2014
Tim Nader	Board Member	November 2014
Nora E. Vargas	Board Member	November 2014
Laura del Castillo	Student Board Member	May 2014

The Executive and Senior Administration for the fiscal year ended June 30, 2013 was composed of the following members:

<u>Member</u>	<u>Office</u>
Melinda Nish, Ed.D	Superintendent/President
Steven Crow	Vice-President for Business & Financial Affairs
Albert Román, D.P.A.	Vice-President for 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 and the fiduciary funds of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. We did not audit the financial statements of the Southwestern Community College District Foundation (the "Foundation"), a discretely presented component unit of the District. Those financial statements were audited by other auditors, whose report dated November 12, 2013 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.

### 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 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, the 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, 2013, 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 Schedule of Funding Progress for Defined Benefit Plans on page 5 through 8 and page 42, 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 Revenues, Expenses and Changes in Net Position, Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting System, and the Purpose of Schedules 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 Revenues, Expenses and Changes in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Our audit was performed for the purpose of forming an opinion on the basic financial statements of the District, taken as a whole. The accompanying Introductory Section, 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 and Purpose of Schedules are not a required part of the basic financial statements but are supplementary information required by the State of California Department of Education. This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Supplementary Information. However, we did not audit the information and express no opinion on these schedules.

Subsequent to the initial report date of December 20, 2013, at the request of the California Community College Chancellor's Office, the Reconciliation of the 50% Calculation with District Accounting Records, Reconciliation of Education Protection Account Expenditures with District Accounting Records, and Schedule of Expenditures of State Awards were included in the Other Supplementary Information. The schedules were included on January 15, 2014 which resulted in the dual dating of our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, 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.

Handwritten signature in black ink that reads "Paul J. McGeedy LLP". The signature is written in a cursive style.

San Diego, California  
December 20, 2013, except for additional schedules described above as to which the date is February 27, 2014.

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**Southwestern Community College District**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2013**

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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, 2013. Please read it in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Due to mid-year spending cuts, the ending General Fund deficit in FY13 was \$485,000 compared to a budgeted deficit of \$2.2 million;
- Ending General Fund fund-balance (unrestricted) at June 30, 2013 was \$7.2 million or 9.5% of General Fund unrestricted expenses;
- Funded FTES (full time equivalent students) were 14,725 in FY13 compared to 14,534 in FY12;
- Unfunded FTES were 112 in FY13 compared to 232 in FY12;
- Bond Proposition R expenses during the year were \$26.2 million with an ending cash balance of \$132.1 million at June 30, 2013;
- The District borrowed \$18.2 million through a Tax and Revenue Anticipation Note Program in March 2013 to provide short-term liquidity due to State apportionment deferrals. Full payment is expected in December 2013.

**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.

The *Statement of Net Position* presents the assets, liabilities, 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 liabilities, 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 consist 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.

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the year ended June 30, 2013**

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

**Table 1  
Statement of Net Position**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>Change</b>	
Current assets	\$ 45,448,905	\$ 36,443,179	\$ 9,005,726	24.7%
Noncurrent assets	299,897,722	307,428,739	(7,531,017)	-2.4%
Total assets	<u>345,346,627</u>	<u>343,871,918</u>	<u>1,474,709</u>	<u>0.4%</u>
Current liabilities	41,554,430	32,875,107	8,679,323	26.4%
Long-term liabilities	240,930,870	246,625,305	(5,694,435)	-2.3%
Total liabilities	<u>282,485,300</u>	<u>279,500,412</u>	<u>2,984,888</u>	<u>1.1%</u>
Net position:				
Net investment in capital assets	40,604,840	43,537,319	(2,932,479)	-6.7%
Restricted	13,444,311	12,454,087	990,224	8.0%
Unrestricted	8,812,176	8,380,100	432,076	5.2%
Total net position	<u>\$ 62,861,327</u>	<u>\$ 64,371,506</u>	<u>\$ (1,510,179)</u>	<u>-2.3%</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.

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

**Table 2  
Changes in Net Position**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>Change</b>	
Operating revenues	\$ 21,514,405	\$ 21,961,766	\$ (447,361)	-2.0%
Operating expenses	(117,144,401)	(124,827,016)	7,682,615	-6.2%
Deficit before depreciation and Nonoperating income and expenses	(95,629,996)	(102,865,250)	7,235,254	-7.0%
Depreciation	(4,212,102)	(4,139,837)	(72,265)	1.7%
Non-operating income and expenses, net	<u>98,331,919</u>	<u>101,650,377</u>	<u>(3,318,458)</u>	<u>-3.3%</u>
Increase (decrease) in net position	<u>\$ (1,510,179)</u>	<u>\$ (5,354,710)</u>	<u>\$ 3,844,531</u>	<u>-71.8%</u>

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the year ended June 30, 2013**

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

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

**Table 3  
Statement of Cash Flows**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Cash provided (used):		
Operating activities	\$ (83,299,417)	\$ (100,204,682)
Non-capital financing activities	113,618,537	112,956,217
Capital and related financing activities	(44,258,748)	(29,268,972)
Investing activities	24,455,469	57,560,705
Net decrease in cash and cash equivalents	10,515,841	41,043,268
Cash balance, beginning of year	159,492,595	118,449,327
Cash balance, end of year	<u>\$ 170,008,436</u>	<u>\$ 159,492,595</u>

**CAPITAL ASSETS**

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2013. These changes are presented in detail in Note 4 to the financial statements.

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

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>Change</b>	
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Buildings	79,583,875	82,261,096	(2,677,221)	-3.3%
Improvements	25,170,361	25,904,344	(733,983)	-2.8%
Equipment	1,279,494	1,449,936	(170,442)	-11.8%
Construction in progress	36,106,155	13,659,043	22,447,112	164.3%
Net capital assets	<u>\$ 151,843,033</u>	<u>\$ 132,977,567</u>	<u>\$ 18,865,466</u>	<u>14.2%</u>

**Southwestern Community College District  
Management's Discussion and Analysis (Continued)  
For the year ended June 30, 2013**

**LONG TERM DEBT**

The following table summarizes the District's long term debt and changes therein for the year ended June 30, 2013. 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, 2013	June 30, 2012	Change	
<b>Bonds Payable:</b>				
Lease Revenue	\$ 1,245,000	\$ 1,330,000	\$ (85,000)	-6.4%
GO Bond, Series 2004	12,993,974	12,993,974	-	0.0%
GO Bond, Series 2005	34,040,000	35,260,000	(1,220,000)	-3.5%
GO Bond, Series 2005 Refunding Series B	24,225,001	27,440,001	(3,215,000)	-11.7%
Prop R - Series A	8,450,000	8,575,000	(125,000)	-1.5%
Prop R - Series B	89,775,000	89,775,000	-	0.0%
Prop R - Series C	66,400,371	66,445,371	(45,000)	-0.1%
Unamortized premiums	6,371,798	7,091,160	(719,362)	-10.1%
	\$ 243,501,144	\$ 248,910,506	\$ (5,409,362)	-2.2%

**ECONOMIC FACTORS AND 2013-14 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 2013-14 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 5%.

The District's unrestricted General Fund revenue budget for FY 2013-14 is \$82.4 million consisting of California State principal apportionment of \$52.5 million, property taxes of \$20.6 million, enrollment fees of \$4.4 million, and \$5.0 million in other revenues. Unrestricted budgeted expenses of \$83.0 million exceed budgeted revenue by \$602,000. The Governing Board has approved the budget with this excess of expenses over revenue.

The District's 2013-2014 General Fund unrestricted budgeted expenses of \$83.0 million increased by \$3.7 million from prior year adopted budget. Proposition AA and R Bond funds that are separate from the General Fund have an expense budget of \$39.5 million. The total District-wide budget for all funds in 2013-2014 is \$140 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**

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**Southwestern Community College District**  
**Statement of Net Position**  
**June 30, 2013**

	District	Foundation
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 24,782,235	\$ 153,540
Investments	276,151	763,413
Accounts receivable	18,820,698	1,158
Inventories	912,937	-
Prepaid items	631,509	6,500
Due from fiduciary funds	25,375	-
Total current assets	45,448,905	924,611
Noncurrent assets:		
Restricted cash and cash equivalents	145,226,201	-
Restricted investments	481,061	-
Capital assets, net	151,843,033	-
Unamortized deferred charges	2,347,427	-
Total noncurrent assets	299,897,722	-
<b>Total assets</b>	345,346,627	924,611
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	21,794,546	23,391
Interest payable	5,269,626	-
Payroll and related liabilities	2,969,559	-
Unearned revenue	4,540,586	-
Due to fiduciary funds	113	-
Compensated absences - due within one year	1,600,000	-
Bonds payable - due within one year	5,380,000	-
Total current liabilities	41,554,430	23,391
Noncurrent liabilities:		
Compensated absences - due in more than one year	1,225,908	-
Net OPEB obligations	1,583,818	-
Bonds payable - due in more than one year	238,121,144	-
Total noncurrent liabilities	240,930,870	-
<b>Total liabilities</b>	282,485,300	23,391
<b>Net Position:</b>		
Net investment in capital assets	40,604,840	-
Restricted for:		
Special projects	141,000	733,424
Debt service	13,303,311	-
Total restricted	13,444,311	733,424
Unrestricted	8,812,176	167,796
<b>Total net position</b>	\$ 62,861,327	\$ 901,220



**Southwestern Community College District**  
**Statement of Activities and Changes in Net Position**  
**For the year ended June 30, 2013**

	<u>District</u>	<u>Foundation</u>
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$ 7,038,293	\$ -
Grants and contracts, non-capital:		
Federal	6,413,443	-
State	1,548,395	-
Local	1,868,027	-
Total grants and contracts, non-capital	9,829,865	-
Auxiliary enterprise sales and charges, net	4,646,247	-
Other operating revenues	-	255,717
<b>Total operating revenues</b>	<b>21,514,405</b>	<b>255,717</b>
<b>OPERATING EXPENSES:</b>		
Salaries	60,986,809	-
Employee benefits	16,662,004	-
Payments to students	25,190,977	32,300
Supplies, materials, and other expenses	12,089,890	29,545
Utilities	2,214,721	-
Depreciation	4,212,102	-
<b>Total operating expenses</b>	<b>121,356,503</b>	<b>61,845</b>
<b>Operating income (loss)</b>	<b>(99,842,098)</b>	<b>193,872</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>		
Federal grants, non-capital	20,890,331	-
State apportionments, non-capital	51,586,884	-
Local property taxes, non-capital	34,280,422	-
State taxes and other revenues	2,858,098	-
Investment income, non-capital	570,061	-
Interest expense	(11,927,357)	-
Other nonoperating revenues (expenses)	3,823,402	(97,494)
Impairment loss	(3,749,922)	-
<b>Total nonoperating revenues (expenses), net</b>	<b>98,331,919</b>	<b>(97,494)</b>
<b>Net change in net position</b>	<b>(1,510,179)</b>	<b>96,378</b>
<b>NET POSITION:</b>		
Beginning of year	64,371,506	804,842
End of year	<u>\$ 62,861,327</u>	<u>\$ 901,220</u>

**Southwestern Community College District**  
**Statement of Cash Flows**  
**For the year ended June 30, 2013**

	<u>District</u>	<u>Foundation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$ 10,516,524	\$ -
Grants and contracts	9,829,865	-
Payments for supplies and services	(3,553,623)	(55,146)
Payments for utilities	(2,214,721)	-
Payments to/on behalf of employees	(77,308,678)	-
Payments to students	(25,190,977)	(32,300)
Auxiliary enterprise sales and charges	4,646,247	-
Other operating revenues and expenses	(24,054)	204,961
<b>Net cash provided (used) by operating activities</b>	<u>(83,299,417)</u>	<u>117,515</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Federal Pell grants	20,890,331	-
State apportionments	51,586,884	-
Local property taxes	34,280,422	-
State taxes and other revenues	2,858,098	-
Other	4,002,802	(97,494)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>113,618,537</u>	<u>(97,494)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(26,839,737)	-
Disposition of capital assets	12,247	-
Principal paid on bonds	(4,690,000)	-
Payment of interest and fees	(12,741,258)	-
<b>Net cash provided (used) by capital financing activities</b>	<u>(44,258,748)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of investments	23,885,408	(8,089)
Interest and investment proceeds	570,061	-
<b>Cash provided by investing activities</b>	<u>24,455,469</u>	<u>(8,089)</u>
<b>Net increase (decrease) in cash and equivalents</b>	10,515,841	11,932
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	159,492,595	141,608
End of year	<u>\$ 170,008,436</u>	<u>\$ 153,540</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:</b>		
Cash and cash equivalents	\$ 24,782,235	\$ 153,540
Restricted cash and cash equivalents	145,226,201	-
<b>Total cash and cash equivalents</b>	<u>\$ 170,008,436</u>	<u>\$ 153,540</u>

See accompanying notes to basic financial statements.

**Southwestern Community College District**  
**Statement of Cash Flows, Continued**  
**For the year ended June 30, 2013**

	<u>District</u>	<u>Foundation</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)</b>		
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (99,842,098)	\$ 193,872
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	4,212,102	-
Change in assets and liabilities:		
Receivables	3,832,915	1,155
Inventories	48,159	-
Prepaid items	(26,653)	3,263
Due from fiduciary funds	(12,631)	-
Accounts payable and accrued liabilities	8,514,761	(30,019)
Payroll and related liabilities	(394,954)	-
Unearned revenue	(354,684)	(50,756)
Due to fiduciary funds	(11,423)	-
Insurance claims payable	-	-
Retirement plan payable	(169,838)	-
Net OPEB obligations	494,669	-
Compensated absences	410,258	-
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (83,299,417)</u></u>	<u><u>\$ 117,515</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Amortization of deferred charges	\$ (179,400)	\$ -
Amortization of bond premiums	(719,362)	-
<b>Total noncash capital and related financing activities</b>	<u><u>\$ (898,762)</u></u>	<u><u>\$ -</u></u>

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**FIDUCIARY FUND  
FINANCIAL STATEMENTS**

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**Southwestern Community College District**  
**Statement of Fiduciary Net Position**  
**June 30, 2013**

	Associated Student Trusts	Student Service Trust Funds	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 920,147	\$ 621,734	\$ 1,541,881
Accounts receivable	11,885	8,824	20,709
Due from District	-	113	113
Other assets	43,983	-	43,983
<b>Total assets</b>	<b>976,015</b>	<b>630,671</b>	<b>1,606,686</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	1,827	624,686	626,513
Due to District	25,375	-	25,375
Deferred revenue	20,004	-	20,004
Deposits payable	83,172	-	83,172
<b>Total liabilities</b>	<b>130,378</b>	<b>624,686</b>	<b>755,064</b>
<b>Net Position:</b>			
Unrestricted	845,637	5,985	851,622
<b>Total net position</b>	<b>\$ 845,637</b>	<b>\$ 5,985</b>	<b>\$ 851,622</b>

**Southwestern Community College District**  
**Statement of Changes in Fiduciary Net Position**  
**For the year ended June 30, 2013**

	Associated Student Trusts	Student Service Trust Funds	Total
<b>OPERATING REVENUES:</b>			
Student fees	\$ 293,311	\$ -	\$ 293,311
Other revenues	3,635	17,127	20,762
<b>Total operating revenues</b>	<b>296,946</b>	<b>17,127</b>	<b>314,073</b>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	62,902	-	62,902
Payments to students	42,500	-	42,500
Supplies, materials, and other expenses	154,329	7,832	162,161
<b>Total operating expenses</b>	<b>259,731</b>	<b>7,832</b>	<b>267,563</b>
<b>Operating income (loss)</b>	<b>37,215</b>	<b>9,295</b>	<b>46,510</b>
<b>Net change in net position</b>	<b>37,215</b>	<b>9,295</b>	<b>46,510</b>
<b>NET POSITION:</b>			
Beginning of year	808,422	(3,310)	805,112
End of year	<u>\$ 845,637</u>	<u>\$ 5,985</u>	<u>\$ 851,622</u>



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# NOTES TO BASIC FINANCIAL STATEMENTS

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**Southwestern Community College District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2013**

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

**A. Reporting Entity**

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

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and any other organization for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2013:

- 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 Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

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

Basic Financial Statements (Continued)

In 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 a 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, that 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. Accounts Receivable***

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

***F. Inventories***

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

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

Bond discounts, premiums, issuance costs, and refunding losses are amortized over the life of the bond using the straight-line method. Bonds payable are reported net of applicable discount or premium. Issuance costs are reported as deferred charges.

**H. Compensated Absences**

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

**I. Capital Assets**

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

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

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

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

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

**J. Net Position**

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

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

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

**K. Unearned Revenue**

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

***L. Property Taxes***

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

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

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

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

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

***M. On-Behalf Payments***

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

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

***N. Classification of Revenues***

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

Revenues are classified according to the following criteria:

Operating Revenues

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

***N. Classification of Revenues (Continued)***

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.

***O. Scholarship Discounts and Allowances***

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

***P. Use of Estimates***

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

***Q. Accounting Changes***

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("SCA"). The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on the District's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement became effective for periods beginning after June 15, 2012 and did not have a significant impact on the District's financial statements for year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants ("AICPA"). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This statement became effective for period beginning after December 15, 2011 and did not have a significant impact on the District's financial statements for the year ended June 30, 2013.

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

***Q. Accounting Changes (Continued)***

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirement of this statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government’s net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the District was limited to renaming of “Net Assets” to “Net Position”.

**Note 2 – Cash and Investments**

The following is a summary of cash and investments at June 30, 2013:

	<b>Business-Type Activities</b>	<b>Fiduciary Fund Financial Statements</b>	<b>Foundation</b>	<b>Total</b>
Cash and cash equivalents	\$ 24,782,235	\$ 1,541,881	\$ 153,540	\$ 26,477,656
Restricted cash and cash equivalents	145,226,201	-	-	145,226,201
<b>Total cash and cash equivalents</b>	<b>170,008,436</b>	<b>1,541,881</b>	<b>153,540</b>	<b>171,703,857</b>
Investments	276,151	-	763,413	1,039,564
Restricted investments	481,061	-	-	481,061
<b>Total investments</b>	<b>757,212</b>	<b>-</b>	<b>763,413</b>	<b>1,520,625</b>
<b>Total cash and investments</b>	<b>\$ 170,765,648</b>	<b>\$ 1,541,881</b>	<b>\$ 916,953</b>	<b>\$ 173,224,482</b>

Cash, cash equivalents, and investments consisted of the following at June 30, 2013:

	<b>Business-Type Activities</b>	<b>Fiduciary Fund Financial Statements</b>	<b>Foundation</b>	<b>Total</b>
<b>Cash and cash equivalents:</b>				
Cash on hand	\$ 77,850	\$ 4,090	\$ -	\$ 81,940
Cash in bank accounts	2,638,672	1,537,791	153,540	4,330,003
Cash in County treasury	167,291,914	-	-	167,291,914
<b>Total cash and cash equivalents</b>	<b>170,008,436</b>	<b>1,541,881</b>	<b>153,540</b>	<b>171,703,857</b>
<b>Investments:</b>				
US Government securities	481,061	-	-	481,061
Certificates of deposit	276,151	-	-	276,151
Common stock	-	-	350,340	350,340
Mutual funds	-	-	413,073	413,073
<b>Total investments</b>	<b>757,212</b>	<b>-</b>	<b>763,413</b>	<b>1,520,625</b>
<b>Total cash and investments</b>	<b>\$ 170,765,648</b>	<b>\$ 1,541,881</b>	<b>\$ 916,953</b>	<b>\$ 173,224,482</b>



**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

*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, 2013, the District had \$167,291,914 invested in the San Diego County Investment Pool.

Restricted Cash and Investments

As of June 30, 2013, the District had restricted cash and investments totaling \$145,707,262. This amount is restricted to be used for acquisition, construction, renovation, repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District.

Interest Rate Risk

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

Credit Risk

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

	<b>Business-Type</b>			
	<b>Activities</b>	<b>Foundation</b>		
	<b>Fair Value</b>	<b>Fair Value</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
Federal Home Loan Bank	\$ 481,061	\$ -	Aaa	AA+
Mutual Funds	-	413,073	A2	A
Equities	-	350,340	Not Rated	Not Rated
Certificates of deposit	276,151	-	Not Rated	Not Rated
	<u>\$ 757,212</u>	<u>\$ 763,413</u>		

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 3 – Accounts Receivable**

The following is a summary of receivables at June 30, 2013:

	District	Foundation
Grants:		
Federal	\$ 1,531,010	\$ -
State	500,541	-
Local	67,067	-
Total grants	2,098,618	-
State Apportionments	15,553,428	-
Lottery Apportionments	284,726	-
Other	883,926	1,158
<b>Total</b>	<b>\$ 18,820,698</b>	<b>\$ 1,158</b>

**Note 4 – Capital Assets**

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Transfers	Impairment	Balance June 30, 2013
<b>Nondepreciable:</b>						
Land	\$ 9,703,148	\$ -	\$ -	\$ -	\$ -	\$ 9,703,148
Construction in progress	13,659,043	26,197,034	-	-	(3,749,922)	36,106,155
<b>Total nondepreciable</b>	23,362,191	26,197,034	-	-	(3,749,922)	45,809,303
<b>Depreciable:</b>						
Site improvements	33,985,913	341,189	-	-	-	34,327,102
Buildings	106,361,783	26,482	-	-	-	106,388,265
Equipment	5,608,149	275,032	(85,047)	-	-	5,798,134
<b>Total depreciable, at cost</b>	145,955,845	642,703	(85,047)	-	-	146,513,501
<b>Less accumulated depreciation:</b>						
Site improvements	(7,514,177)	(1,642,564)	-	-	-	(9,156,741)
Buildings	(24,668,079)	(2,136,311)	-	-	-	(26,804,390)
Equipment	(4,158,213)	(433,227)	72,800	-	-	(4,518,640)
<b>Total accumulated depreciation</b>	(36,340,469)	(4,212,102)	72,800	-	-	(40,479,771)
<b>Total depreciable, net</b>	109,615,376	(3,569,399)	(12,247)	-	-	106,033,730
<b>Total capital assets, net</b>	<b>\$ 132,977,567</b>	<b>\$ 22,627,635</b>	<b>\$ (12,247)</b>	<b>\$ -</b>	<b>\$ (3,749,922)</b>	<b>\$ 151,843,033</b>

Depreciation expense for capital assets for the year ended June 30, 2013 was \$4,212,102.

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Note 4 – Capital Assets (Continued)**

During the year, the District evaluated construction in progress related to the Corner Lot project and determined that, since the plans for the project have changed, the value of the construction in progress, including previously capitalized design and architecture and program management costs, had become impaired. An impairment loss of \$3,749,922 was recorded on the Statement of Activities and Changes in Net Position. The carrying amount of the Corner Lot project at June 30, 2013 was \$2,080,385, which included \$1,717,554 of capitalized program management expenses.

**Note 5 – Unearned Revenue**

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2013 for the subsequent 2013-2014 year. As of June 30, 2013, the District's unearned revenue balance consists of the following:

	Business-Type	Fiduciary		
	Activites	Fund Financial Statements	Foundation	Total
Federal sources	\$ 239,277	\$ -	\$ -	\$ 239,277
State sources	1,021,748	-	-	1,021,748
Enrollment fees	1,409,394	-	-	1,409,394
Other local sources	1,870,167	20,004	-	1,890,171
	<u>\$ 4,540,586</u>	<u>\$ 20,004</u>	<u>\$ -</u>	<u>\$ 4,560,590</u>

**Note 6 – Long-Term Debt**

The following is a summary of the changes in long-term debt for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year	Due In More Than One Year
<b>Bonds payable:</b>						
Lease Revenue Bonds	\$ 1,330,000	\$ -	\$ (85,000)	\$ 1,245,000	\$ 85,000	\$ 1,160,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2005	35,260,000	-	(1,220,000)	34,040,000	1,370,000	32,670,000
GO Bond 2005, Refunding Series B	27,440,001	-	(3,215,000)	24,225,001	3,670,000	20,555,001
GO Bond 2008, Series A	8,575,000	-	(125,000)	8,450,000	255,000	8,195,000
GO Bond 2008, Series B	89,775,000	-	-	89,775,000	-	89,775,000
GO Bond 2008, Series C	66,445,371	-	(45,000)	66,400,371	-	66,400,371
Unamortized premium	7,091,160	-	(719,362)	6,371,798	-	6,371,798
<b>Total bonds payable</b>	<u>248,910,506</u>	<u>-</u>	<u>(5,409,362)</u>	<u>243,501,144</u>	<u>5,380,000</u>	<u>238,121,144</u>
<b>Retirement plans payable:</b>						
CalSTRS Retirement Plan	169,838	-	(169,838)	-	-	-
<b>Compensated absences:</b>	<u>2,415,650</u>	<u>2,064,160</u>	<u>(1,653,902)</u>	<u>2,825,908</u>	<u>1,600,000</u>	<u>1,225,908</u>
<b>Total</b>	<u>\$ 251,495,994</u>	<u>\$ 2,064,160</u>	<u>\$ (7,233,102)</u>	<u>\$ 246,327,052</u>	<u>\$ 6,980,000</u>	<u>\$ 239,347,052</u>

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

Lease Revenue Bonds

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

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

The District pledged all lease revenue to repay the outstanding principal and interest of the Lease Revenue Bonds. Total principal and interest remaining on the bonds at June 30, 2013 is \$1,525,292, payable through 2024.

The annual requirements for debt service outstanding at June 30, 2013 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 85,000	\$ 41,269	\$ 126,269
2015	90,000	38,644	128,644
2016	90,000	35,494	125,494
2017	90,000	32,344	122,344
2018	95,000	29,569	124,569
2019-2023	535,000	98,097	633,097
2024	260,000	4,875	264,875
<b>Total</b>	<b>\$ 1,245,000</b>	<b>\$ 280,292</b>	<b>\$ 1,525,292</b>

General Obligation Bonds – 2004

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

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

General Obligation Bonds – 2004 (Continued)

The annual requirements for debt service outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019-2023	-	-	-
2024-2028	8,619,515	21,606,855	30,226,370
2029-2030	4,374,459	7,834,171	12,208,630
<b>Total</b>	<b>\$ 12,993,974</b>	<b>\$ 29,441,026</b>	<b>\$ 42,435,000</b>

General Obligation Bonds – 2005

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

The bonds are solely payable from *ad valorem* property taxes levied. The 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. Total principal and interest remaining on the bonds is \$47,033,963, payable through fiscal year 2026.

The annual requirements for debt service payments outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,370,000	\$ 1,621,925	\$ 2,991,925
2015	1,520,000	1,564,125	3,084,125
2016	1,680,000	1,491,725	3,171,725
2017	1,875,000	1,402,850	3,277,850
2018	2,070,000	1,301,638	3,371,638
2019-2023	13,850,000	4,703,575	18,553,575
2024-2026	11,675,000	908,125	12,583,125
<b>Total</b>	<b>\$ 34,040,000</b>	<b>\$ 12,993,963</b>	<b>\$ 47,033,963</b>

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**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 \$27,774,132, payable through fiscal year 2019.

The annual requirements for debt service outstanding at June 30, 2013 are as follows:

<b>Year Ending</b>				
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2014	\$ 3,670,000	\$ 1,175,475	\$ 4,845,475	
2015	4,165,000	969,806	5,134,806	
2016	4,705,000	736,969	5,441,969	
2017	5,290,000	474,600	5,764,600	
2018	5,930,000	180,075	6,110,075	
2019	465,001	12,206	477,207	
<b>Total</b>	<b>\$ 24,225,001</b>	<b>\$ 3,549,131</b>	<b>\$ 27,774,132</b>	

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

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

In June, 2011, the District authorized the sale and issuance of 2008 General Obligation Bonds, Series C in the amount of \$68,730,371. Proceeds from the sale of the bonds will be used to finance the construction and renovation of classrooms and other college facilities throughout the District. The bonds were issued at a premium of \$716,045. In addition, there were bond issuance costs of \$641,922 that are being amortized over the life of the bonds.

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

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

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

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

The bonds are 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, 2013 is \$11,155,177, \$219,980,278 and \$208,354,441 for Series A, B, and C, respectively.

The annual requirements for debt service outstanding at June 30, 2013 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2014	\$ 255,000	\$ 457,738	\$ 712,738
2015	400,000	439,725	839,725
2016	550,000	413,600	963,600
2017	715,000	378,813	1,093,813
2018	895,000	334,538	1,229,538
2019-2022	5,635,000	680,763	6,315,763
<b>Total</b>	<b>\$ 8,450,000</b>	<b>\$ 2,705,177</b>	<b>\$ 11,155,177</b>

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
2014	\$ -	\$ 6,401,727	\$ 6,401,727
2015	-	6,401,727	6,401,727
2016	-	6,401,727	6,401,727
2017	-	6,401,727	6,401,727
2018	-	6,401,727	6,401,727
2019-2023	1,995,000	31,945,793	33,940,793
2024-2028	13,965,000	29,251,555	43,216,555
2029-2033	22,440,000	22,875,672	45,315,672
2034-2038	33,845,000	12,833,429	46,678,429
2039-2040	17,530,000	1,290,194	18,820,194
<b>Total</b>	<b>\$ 89,775,000</b>	<b>\$ 130,205,278</b>	<b>\$ 219,980,278</b>



**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

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

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
2014	\$ -	\$ 2,833,963	\$ 2,833,963
2015	30,000	2,833,513	2,863,513
2016	100,000	2,831,563	2,931,563
2017	175,000	2,826,563	3,001,563
2018	260,000	2,817,863	3,077,863
2019-2023	2,760,000	13,787,588	16,547,588
2024-2028	5,930,000	12,722,813	18,652,813
2029-2033	10,300,000	10,711,250	21,011,250
2034-2038	16,360,000	7,279,694	23,639,694
2039-2043	24,257,746	20,202,242	44,459,988
2044-2047	6,227,625	63,107,018	69,334,643
<b>Total</b>	<b>\$ 66,400,371</b>	<b>\$ 141,954,070</b>	<b>\$ 208,354,441</b>

California State Teachers' Retirement System (CalSTRS) Retirement Plan

In November 2004, the District provided a retirement incentive under AB1207, The Golden Handshake Additional Service Credit for State Teachers Retirement System Members, as designated by the CalSTRS Retirement Incentive Program. The Program's main feature is the purchase by the District of two years of service credit plus two years of age credit towards retirement for academic employees who meet the qualifications. A total of sixteen retirees qualified for the program, which resulted in an obligation to the District in the amount of \$1,653,201. At June 30, 2013, the outstanding balance owed to CalSTRS was \$0.

Compensated Absences

The District's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$2,825,908 at June 30, 2013.

**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.

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

**Notes 7 – Other Post Employment Benefits (Continued)**

*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 \$700,000 during fiscal year 2013. At June 30, 2013, the market value of the irrevocable trust was \$2,303,020.

*Annual OPEB Cost*

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

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>(Increase) Decrease in OPEB Obligation</b>	<b>Net OPEB Obligation</b>
6/30/2011	\$ 766,468	\$ 500,000	65%	\$ (266,468)	\$ (338,201)
6/30/2012	\$ 1,194,669	\$ 443,721	37%	\$ (750,948)	\$ (1,089,149)
6/30/2013	\$ 1,194,669	\$ 700,000	59%	\$ (494,669)	\$ (1,583,818)

*Most Recent Actuarial Study – Status of Funding Progress*

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

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

*Actuarial Methods and Assumptions*

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Notes 7 – Other Post Employment Benefits (Continued)**

The plan's most recent actuarial valuation was performed as of February 1, 2012. In that valuation, the Entry Aged Normal Cost Method was used. The actuarial assumptions included a 7% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 4%, and a 3% payroll increase per year. All assumptions reflect an implicit 3% general inflation assumption. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a rolling basis. The remaining amortization period as of June 30, 2013 was 30 years.

**Note 8 – Employee Retirement System**

California State Teachers' Retirement System (CalSTRS)

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

Under State Teachers' Retirement Law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees as of June 30, 2013.

*Funding Policy*

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements on the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal year ended June 30, 2013, 2012 and 2011 were \$2,954,187, \$3,273,581, \$3,279,249, and \$3,074,710, respectively, and equal to 100% of the Annual Required Contributions.

*Most Recent Actuarial Study – Status of Funding Progress*

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

California Public Employees' Retirement System (CalPERS)

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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**Note 8 – Employee Retirement System (Continued)**

California Public Employees' Retirement System (CalPERS) (Continued)

*Funding Policy*

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$2,386,468, \$2,213,357, and \$2,219,983, respectively, and equal to 100% of the annual required contributions.

*Most Recent Actuarial Study – Status of Funding Progress*

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

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. However, for fiscal year 2013, the amount of on-behalf payments made for the District was \$0 for CalSTRS and \$0 for CalPERS.

**Note 9 – Risk Management**

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

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

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

**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.

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

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

	June 30, 2012
Assets	\$ 48,874,611
Liabilities	\$ 21,266,021
Net assets	\$ 27,608,590
Operating revenues	\$ 10,436,167
Operating expenses	\$ 6,710,584
Nonoperating revenues	\$ 480,144
Change in nets assets	\$ 4,205,727

**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.

Prop R Bond Fund Mediation

The District is currently involved in mediation with several contractors that were awarded contracts and performed work under Proposition R. Amounts to be returned by contractor(s) to the District or to be paid by the District to contractor(s), if any, are unknown as of the date of this report. The effect, if any, on the District’s financial statements would not be material.

Sick Leave

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

Grants and Contracts

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

**Southwestern Community College District**  
**Notes to Basic Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

Construction

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$21,350,365 as of June 30, 2013.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**Southwestern Community College District  
Required Supplementary Information  
For the year ended June 30, 2013**

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**Note 1 - Schedule of Funding Progress for Defined Benefit Plans**

California State Teachers' Retirement System (CalSTRS)

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

California Public Employees' Retirement System (CalPERS)

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

Other Post Employment Benefits (OPEB)

A schedule of funding progress for the year ended June 30, 2013 including the actuarial valuations is presented below.

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



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# **SUPPLEMENTARY INFORMATION**

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**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances**  
**June 30, 2013**

	General Fund	Prop AA Bond Fund	Prop R Bond Fund	Student Center	Capital Outlay
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 19,892,532	\$ -	\$ -	\$ 186,577	\$ 2,546,962
Accounts receivable	18,607,760	249	120,969	138	1,754
Inventories	102,790	-	-	-	-
Prepaid items	628,199	-	-	-	-
Due from other funds	482,876	-	-	294	173,802
Restricted cash and investments	-	314,920	131,948,031	141,000	-
<b>Total current assets</b>	<b>39,714,157</b>	<b>315,169</b>	<b>132,069,000</b>	<b>328,009</b>	<b>2,722,518</b>
Noncurrent assets:					
Capital assets, net	-	-	-	-	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 39,714,157</b>	<b>\$ 315,169</b>	<b>\$ 132,069,000</b>	<b>\$ 328,009</b>	<b>\$ 2,722,518</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	20,213,374	-	1,411,131	-	88,109
Payroll and related liabilities	2,969,559	-	-	-	-
Compensated absences	2,825,908	-	-	-	-
Deferred revenue	4,534,303	-	-	-	-
Due to other funds	199,013	-	30,583	-	-
Deposits payable	-	-	-	-	-
<b>Total liabilities</b>	<b>30,742,157</b>	<b>-</b>	<b>1,441,714</b>	<b>-</b>	<b>88,109</b>
<b>Fund Balances</b>	<b>8,972,000</b>	<b>315,169</b>	<b>130,627,286</b>	<b>328,009</b>	<b>2,634,409</b>
<b>Total liabilities and fund balances</b>	<b>\$ 39,714,157</b>	<b>\$ 315,169</b>	<b>\$ 132,069,000</b>	<b>\$ 328,009</b>	<b>\$ 2,722,518</b>

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)**  
**June 30, 2013**

	Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,495,542	\$ 372,032	\$ 920,147	\$ 93,036	\$ 621,734
Accounts receivable	80,618	3,875	11,885	4,962	8,824
Inventories	712,846	97,301	-	-	-
Prepaid items	-	3,310	-	-	-
Due from other funds	20,953	3,851	-	-	113
Restricted cash and investments	-	-	-	-	-
<b>Total current assets</b>	<b>2,309,959</b>	<b>480,369</b>	<b>932,032</b>	<b>97,998</b>	<b>630,671</b>
Noncurrent assets:					
Capital assets, net	36,169	61,264	43,983	-	-
<b>Total noncurrent assets</b>	<b>36,169</b>	<b>61,264</b>	<b>43,983</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 2,346,128</b>	<b>\$ 541,633</b>	<b>\$ 976,015</b>	<b>\$ 97,998</b>	<b>\$ 630,671</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	75,051	6,876	1,827	5	624,686
Payroll and related liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Deferred revenue	1,987	4,296	20,004	-	-
Due to other funds	60,973	365,945	25,375	-	-
Deposits payable	-	-	83,172	-	-
<b>Total liabilities</b>	<b>138,011</b>	<b>377,117</b>	<b>130,378</b>	<b>5</b>	<b>624,686</b>
<b>Fund Balances</b>	<b>2,208,117</b>	<b>164,516</b>	<b>845,637</b>	<b>97,993</b>	<b>5,985</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,346,128</b>	<b>\$ 541,633</b>	<b>\$ 976,015</b>	<b>\$ 97,998</b>	<b>\$ 630,671</b>

**Southwestern Community College District**  
**Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)**  
**June 30, 2013**

	Bond Interest and Redemption Fund	Self Insurance	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ -	\$ 471,705	\$ 26,600,267
Accounts receivable	-	373	18,841,407
Inventories	-	-	912,937
Prepaid items	-	-	631,509
Due from other funds	-	-	681,889
Restricted cash and investments	13,303,311	-	145,707,262
<b>Total current assets</b>	<b>13,303,311</b>	<b>472,078</b>	<b>193,375,271</b>
Noncurrent assets:			
Capital assets, net	-	-	141,416
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>141,416</b>
<b>Total assets</b>	<b>\$ 13,303,311</b>	<b>\$ 472,078</b>	<b>\$ 193,516,687</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	-	-	\$ 22,421,059
Payroll and related liabilities	-	-	2,969,559
Compensated absences	-	-	2,825,908
Deferred revenue	-	-	4,560,590
Due to other funds	-	-	681,889
Deposits payable	-	-	83,172
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>33,542,177</b>
<b>Fund Balances</b>	<b>13,303,311</b>	<b>472,078</b>	<b>159,974,510</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,303,311</b>	<b>\$ 472,078</b>	<b>\$ 193,516,687</b>

**Southwestern Community College District**  
**Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances**  
**to Government-Wide Statement of Net Position**  
**June 30, 2013**

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**Total Fund Balances reported in the Combining Balance Sheet** \$ 159,974,510

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	151,843,033
Less enterprise funds capital assets	<u>(97,433)</u>
Total capital assets not reported in the funds	<u>151,745,600</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	(1,583,818)
Bonds payable - due within one year	(5,380,000)
Bonds payable - due in more than one year	<u>(238,121,144)</u>
Total long-term liabilities not reported in the funds	<u>(245,084,962)</u>

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

(5,269,626)

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

Associated Student Trust	(845,637)
Academic Affairs	<u>(5,985)</u>
Total fiduciary activities	<u>(851,622)</u>

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

2,347,427

**Net Position** \$ 62,861,327

**Southwestern Community College District**  
**Combining Schedule of Revenues, Expenditures/Expenses**  
**and Changes in Fund Equity/Net Position**  
**For the year ended June 30, 2013**

	General Fund	Prop AA Bond Fund	Prop R Bond Fund	Student Center	Capital Outlay
<b>OPERATING REVENUES:</b>					
Tuition and fees	\$ 6,890,244	\$ -	\$ -	\$ 148,049	\$ -
Federal grant, non-capital	4,167,311	-	-	-	-
State grant, non-capital	303,245	-	-	-	-
Local grant, non-capital	1,868,027	-	-	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-
Other operating revenues	-	-	-	-	-
<b>Total operating revenues</b>	<b>13,228,827</b>	<b>-</b>	<b>-</b>	<b>148,049</b>	<b>-</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>					
Salaries	59,832,935	-	23,231	-	-
Employee benefits	16,006,185	-	5,678	-	-
Payments to students	777,157	-	-	-	-
Supplies, materials, and other expenses	8,915,690	283,519	26,143,398	84,508	334,597
Utilities	2,187,224	-	24,726	-	-
Depreciation	-	-	-	-	-
<b>Total operating expenditures/expenses</b>	<b>87,719,191</b>	<b>283,519</b>	<b>26,197,033</b>	<b>84,508</b>	<b>334,597</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>(74,490,364)</b>	<b>(283,519)</b>	<b>(26,197,033)</b>	<b>63,541</b>	<b>(334,597)</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>					
Federal grant, non-capital	-	-	-	-	-
State apportionments, non-capital	51,586,884	-	-	-	-
Local property taxes, non-capital	18,091,852	-	-	-	-
State taxes and other revenues	2,858,098	-	-	-	-
Investment income	42,912	1,596	484,436	675	8,259
Other non-operating revenue(expense)	1,425,956	-	-	-	435,689
Debt service:					
Principal payment	-	-	-	(85,000)	-
Interest and fiscal charges	-	-	-	-	-
<b>Total non-operating expenditures/expenses</b>	<b>74,005,702</b>	<b>1,596</b>	<b>484,436</b>	<b>(84,325)</b>	<b>443,948</b>
<b>NET INCOME(LOSS) BEFORE TRANSFERS</b>	<b>(484,662)</b>	<b>(281,923)</b>	<b>(25,712,597)</b>	<b>(20,784)</b>	<b>109,351</b>
<b>TRANSFERS:</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balance/net assets</b>	<b>(484,662)</b>	<b>(281,923)</b>	<b>(25,712,597)</b>	<b>(20,784)</b>	<b>109,351</b>
<b>FUND EQUITY/NET POSITION:</b>					
Beginning of year	9,456,662	597,092	156,339,883	348,793	2,525,058
End of year	<u>\$ 8,972,000</u>	<u>\$ 315,169</u>	<u>\$ 130,627,286</u>	<u>\$ 328,009</u>	<u>\$ 2,634,409</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, 2013**

	Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds
<b>OPERATING REVENUES:</b>					
Tuition and fees	\$ -	\$ -	\$ 293,311	\$ -	\$ -
Federal grant, non-capital	-	-	-	2,246,132	-
State grant, non-capital	-	-	-	1,245,150	-
Local grant, non-capital	-	-	-	-	-
Auxiliary enterprise sales and charges	3,118,899	1,527,348	-	-	-
Other operating revenues	-	-	3,635	-	-
<b>Total operating revenues</b>	<b>3,118,899</b>	<b>1,527,348</b>	<b>296,946</b>	<b>3,491,282</b>	<b>-</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>					
Salaries	527,234	603,409	61,868	-	-
Employee benefits	140,694	184,615	1,034	-	-
Payments to students	-	-	42,500	24,413,820	-
Supplies, materials, and other expenses	2,390,628	777,287	178,179	-	-
Utilities	1,656	1,115	6,329	-	-
Depreciation	43,713	12,167	-	-	-
<b>Total operating expenditures/expenses</b>	<b>3,103,925</b>	<b>1,578,593</b>	<b>289,910</b>	<b>24,413,820</b>	<b>-</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>14,974</b>	<b>(51,245)</b>	<b>7,036</b>	<b>(20,922,538)</b>	<b>-</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>					
Federal grant, non-capital	-	-	-	20,890,331	-
State apportionments, non-capital	-	-	-	-	-
Local property taxes, non-capital	-	-	-	-	-
State taxes and other revenues	-	-	-	-	-
Investment income	710	-	-	21	17,127
Other non-operating revenue(expense)	35,239	-	30,179	-	(7,832)
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total non-operating expenditures/expenses</b>	<b>35,949</b>	<b>-</b>	<b>30,179</b>	<b>20,890,352</b>	<b>9,295</b>
<b>NET INCOME(LOSS) BEFORE TRANSFERS</b>	<b>50,923</b>	<b>(51,245)</b>	<b>37,215</b>	<b>(32,186)</b>	<b>9,295</b>
<b>TRANSFERS:</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balance/net assets</b>	<b>50,923</b>	<b>(51,245)</b>	<b>37,215</b>	<b>(32,186)</b>	<b>9,295</b>
<b>FUND EQUITY/NET POSITION:</b>					
Beginning of year	2,157,194	215,761	808,422	130,179	(3,310)
End of year	<u>\$ 2,208,117</u>	<u>\$ 164,516</u>	<u>\$ 845,637</u>	<u>\$ 97,993</u>	<u>\$ 5,985</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, 2013**

	Bond Interest and Redemption Fund	Self Insurance	Total
<b>OPERATING REVENUES:</b>			
Tuition and fees	\$ -	\$ -	\$ 7,331,604
Federal grant, non-capital	-	-	6,413,443
State grant, non-capital	-	-	1,548,395
Local grant, non-capital	-	-	1,868,027
Auxiliary enterprise sales and charges	-	-	4,646,247
Other operating revenues	-	-	3,635
<b>Total operating revenues</b>	<b>-</b>	<b>-</b>	<b>21,811,351</b>
<b>OPERATING EXPENDITURES/EXPENSES:</b>			
Salaries	-	-	61,048,677
Employee benefits	-	-	16,338,206
Payments to students	-	-	25,233,477
Supplies, materials, and other expenses	-	-	39,107,806
Utilities	-	-	2,221,050
Depreciation	-	-	55,880
<b>Total operating expenditures/expenses</b>	<b>-</b>	<b>-</b>	<b>144,005,096</b>
<b>OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<b>-</b>	<b>-</b>	<b>(122,193,745)</b>
<b>NONOPERATING REVENUE(EXPENSES):</b>			
Federal grant, non-capital	-	-	20,890,331
State apportionments, non-capital	-	-	51,586,884
Local property taxes, non-capital	16,188,570	-	34,280,422
State taxes and other revenues	-	-	2,858,098
Investment income	29,747	1,705	587,188
Other non-operating revenue(expense)	2,118,165	-	4,037,396
Debt service:			
Principal payment	(4,605,000)	-	(4,690,000)
Interest and fiscal charges	(12,741,258)	-	(12,741,258)
<b>Total non-operating expenditures/expenses</b>	<b>990,224</b>	<b>1,705</b>	<b>96,809,061</b>
<b>NET INCOME(LOSS) BEFORE TRANSFERS</b>	<b>990,224</b>	<b>1,705</b>	<b>(25,384,684)</b>
<b>TRANSFERS:</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balance/net assets</b>	<b>990,224</b>	<b>1,705</b>	<b>(25,384,684)</b>
<b>FUND EQUITY/NET POSITION:</b>			
Beginning of year	12,313,087	470,373	185,359,194
End of year	<u>\$ 13,303,311</u>	<u>\$ 472,078</u>	<u>\$ 159,974,510</u>



**Southwestern Community College District**  
**Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses and Changes in**  
**Fund Equity to Government-Wide Statement of Revenues, Expenses and Changes in Net Position**  
**For the year ended June 30, 2013**

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<b>Revenues and other financing sources over (under) expenditures/expenses and other financing uses</b>	<b>\$ (25,384,684)</b>
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>26,839,737</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>(12,247)</u>
Impairment of capital assets decreased capital assets but did not require the use of current financial resources. Therefore, impairment loss was not reported as an expenditure in the governmental funds.	<u>(3,749,922)</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 \$55,880 in enterprise funds).	<u>(4,156,222)</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>94,538</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:	
Retirement plan payable	169,838
Lease revenue bonds	85,000
General Obligation bonds	<u>4,605,000</u>
Total repayment of long-term liabilities	<u>4,859,838</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>(719,362)</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>(494,669)</u>
Amortization expense on unamortized deferred charges 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>(179,400)</u>
Student activities are fiduciary activities and therefore are not reported in the government-wide statement of activities.	
Associated Student Trust	(37,215)
Academic Affairs	<u>(9,295)</u>
Total fiduciary activities	<u>(46,510)</u>
<b>Change in Net Position</b>	<b><u><u>\$ (1,510,179)</u></u></b>

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# **SINGLE AUDIT**

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

**Independent Auditors' Report**

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

We have audited, in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2013.

**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.

*RUN 1/2 Mc GEADY LLP*

San Diego, California  
December 20, 2013



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

**Independent Auditors' Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2013.

*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.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the District as of and for the year ended June 30, 2013, and the related notes to the financial statements. We issued our report thereon dated December 20, 2013 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 is presented for purposes of additional analysis as required by OMB Circular A-133 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.

### **Purpose of this Report**

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 Paul J. McGeady LLP

San Diego, California  
December 20, 2013



**Southwestern Community College District**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2013**

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure
<b><u>U.S. Department of Education:</u></b>				
<b>Direct Programs:</b>				
<b>Financial Aid Cluster:</b>				
	PELL	84.063	P063P101184	\$ 20,890,331
	SEOG	84.007	P0078100617	306,549
	Direct Loans	84.265	P268K111184	1,566,123
	Federal Work Study	84.033	P033A100617	342,878
		Sub-total		<u>23,105,881</u>
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A100052	100,667
	Career and Technical Education - National Programs	84.051	11-C01-063	852,678
	Tech Prep, now CTE Transitions	84.051	11-112-090	47,335
		Sub-total		<u>900,013</u>
	Business & International Education Program	84.153	P153A100041	6,577
			<b>Total U.S. Department of Education</b>	<b><u>24,113,138</u></b>
<b><u>U.S. Department of Defense:</u></b>				
<b>Direct Programs:</b>				
	Procurement Technical Assistance	12.002	SP4800-11-2-1149	192,582
			<b>Total U.S. Department of Defense</b>	<b><u>192,582</u></b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
<b>Passed through City of San Diego:</b>				
	Small Business Micro-Enterprise	14.218	PO4500030554	39,275
			<b>Total U.S. Department of Housing and Urban Development</b>	<b><u>39,275</u></b>
<b><u>U.S. Department of Labor:</u></b>				
<b>Passed through San Jose State University:</b>				
	CA Statewide Biotechnology Clinical Laboratory Consortium Project	17.275	GI-20049-10-60-A-6	13,624
			<b>Total U.S. Department of Labor</b>	<b><u>13,624</u></b>
<b><u>National Science Foundation:</u></b>				
<b>Direct Programs:</b>				
	Proposal Preparation Workshop for Two-Year College Chemistry	47.076	DUE 0924269	4,370
	STEM Talent Expansion Program (STEP)	47.076	DUE 0653234	36,237
	Biotechnology Education and Training Sequence Investment (BETSI) II	47.076	DUE 0702980	10
	iLaser	47.076	DUE 1118663	4,988
	Intergovernmental Personnel Act	47.076	DUE 1251291-001	151,740
<b>Passed through Delmar College:</b>				
	National Geospatial Technology Center (NGTC)	47.076	DUE-0801893	52,138
			<b>Total National Science Foundation</b>	<b><u>249,483</u></b>
<b><u>Small Business Administration:</u></b>				
<b>Direct Programs:</b>				
	2012 US SBA Supplemental	59.037	SBAHQ-12-B-0075	336,117
	2013 US SBA Grant	59.037	SBAHQ-12-B-0075	1,197,323
	Small Business Jobs Act Program	59.037	SBAHQ-12-B-0075	232,949
<b>Passed through Imperial Valley College:</b>				
	Small Business Development Center	59.037	NC200903	14,405
			<b>Total Small Business Administration</b>	<b><u>1,780,794</u></b>
<b><u>U.S. Department of Health &amp; Human Services:</u></b>				
<b>Direct Programs:</b>				
	Biomedical Research and Research Training	93.859	5SC3GM100791-02	74,837
<b>Passed through San Diego State University:</b>				
	Bridges to Baccalaureate	93.858	3R25GM050108-10S1	10,000
<b>Passed through Office of Refugee Resettlement</b>				
	Refugee and Entrant Assistance - Voluntary Agency Programs	93.576	9ORG0130/01	14,247
			<b>Total U.S. Department of Health &amp; Human Services</b>	<b><u>99,084</u></b>
<b><u>U.S. Department of Homeland Security:</u></b>				
<b>Passed through the U.S. Customs and Border Protection Agency:</b>				
	Paramedic Refresher Training Course	97.UNK	AR3586.12	2,774
			<b>Total U.S. Department of Homeland Security</b>	<b><u>2,774</u></b>
<b>Total expenditures of federal awards</b>				<b><u>\$ 26,490,754</u></b>

See Notes to Schedule of Expenditures of Federal Awards

**Southwestern Community College District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2013**

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**Note 1 – Reporting Entity**

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

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

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

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

**Southwestern Community College District  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2013**

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**Section I – Summary of Audit Results**

**Financial Statements**

Types of auditors’ report issued:	<b>Unmodified</b>
Internal control over financial reporting:	
• Material weakness(es) identified?	<b>No</b>
• Significant deficiency(ies) identified?	<b>None Reported</b>
Non-compliance material to the financial statements identified?	<b>No</b>

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	<b>No</b>
• Significant deficiency(ies) identified?	<b>None Reported</b>
Type of auditor’s report issued on compliance for major programs	<b>Unmodified</b>
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of OMB Circular A-133	<b>No</b>

Identification of major programs:

<b>Major Program</b>	<b>CFDA</b>	<b>Expenditures</b>
Financial Aid Cluster:		
PELL	84.063	\$ 20,890,331
SEOG	84.007	306,549
Federal Direct Student Loans	84.268	1,566,123
Federal Work Study	84.033	342,878
	Total	23,105,881
	<b>Total Major Program Expenditures</b>	<b>\$ 23,105,881</b>
	<b>Total Expenditures of Federal Awards</b>	<b>\$ 26,490,754</b>
	<b>Percent of Total Expenditures of Federal Awards</b>	<b>87.22%</b>

Dollar threshold used to distinguish between type A and type B programs	<b>\$794,723</b>
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Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133?	<b>Yes</b>
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**Southwestern Community College District**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the year ended June 30, 2013**

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**Section II – Financial Statement Findings**

No financial statements findings were noted.

**Section III- Federal Awards Findings**

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

No findings or questioned costs were noted on the District’s major programs for the year ended June 30, 2013.

**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, 2012.

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# **STATE COMPLIANCE**

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## REPORT ON STATE COMPLIANCE REQUIREMENTS

### Independent Auditors' Report

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") 2012-2013, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2013.

### **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) 2012-2013, 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.

#### **431 - GANN Limit Calculation**

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

#### **433 – California Work Opportunity and Responsibility to Kids (CalWORKs)**

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

#### **435 - Open Enrollment**

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

#### **437 – Student Fees - Instructional and Other Materials Fees**

The District charges mandatory fees based on express statutory authority in accordance with §70902, §76355, and §76365 of the Education Code and California Code of Regulations, Title 5, §51012 and §59400-59408. During the year 2012-2013, no non-mandatory fees were charged.

#### **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 2012-2013, no non-mandatory fees were charged.

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

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



**475 – Disabled Student Programs and Services (DSPS)**

The District served eligible DSPS student and submitted accurate student-count data for fiscal year 2012-2013 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 2012-2013.

**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, 2013.

**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.

A handwritten signature in black ink that reads "Paul J. Mc Geady LLP". The signature is written in a cursive style with a large initial "P" and "M".

San Diego, California  
December 20, 2013

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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, 2013**

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**PURPOSE OF SCHEDULES**

Schedule of Workload Measures for Program-Based Funding

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

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

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

Reconciliation of the 50% Calculation with 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**  
**June 30, 2013**

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	5.75	-	5.75
2. Credit	19.59	-	19.59
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit	11.14	-	11.14
2. Credit	1,217.14	-	1,217.14
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,260.38	-	9,260.38
(b) Daily Census Contact Hours	1,550.16	-	1,550.16
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	202.24	-	202.24
(b) Credit	600.96	-	600.96
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	923.38	-	923.38
(b) Daily Census Contact Hours	954.14	-	954.14
(c) Noncredit Independent Study/Distance Education Courses	0.12	-	0.12
D. Total FTES	14,745.00	-	14,745.00

**Supplemental Information (subset of above information)**

E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	19.56	-	19.56
(b) Credit	1,550.40	-	1,550.40
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
(a) Noncredit	-	-	-
(b) Credit	-	-	-

**Southwestern Community College District**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311)**  
**with Audited Financial Statements**  
**For the year ended June 30, 2013**

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

	General Fund	Prop AA Fund	Prop R Fund	Student Center	Capital Outlay	Bookstore
Fund balance per the CCFS-311 at June 30, 2013	\$ 8,972,002	\$ 315,169	\$ 130,627,285	\$ 328,009	\$ 2,634,409	\$ 2,208,115
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	(2)	-	1	-	-	2
Net adjustments and reclassifications	(2)	-	1	-	-	2
<b>Fund balance per the audited fund financial statements at June 30, 2013</b>	<b>\$ 8,972,000</b>	<b>\$ 315,169</b>	<b>\$ 130,627,286</b>	<b>\$ 328,009</b>	<b>\$ 2,634,409</b>	<b>\$ 2,208,117</b>

**Southwestern Community College District**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311)**  
**with Audited Financial Statements (Continued)**  
**For the year ended June 30, 2013**

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

	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance
Fund balance per the CCFS-311 at June 30, 2013	\$ 173,691	\$ 928,808	\$ 97,992	\$ 4,026	\$ 13,303,311	\$ 472,079
Audit adjustments	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	(9,175)	(83,171)	1	1,959	-	(1)
Net adjustments and reclassifications	(9,175)	(83,171)	1	1,959	-	(1)
<b>Fund balance per the audited fund financial statements at June 30, 2013</b>	<b>\$ 164,516</b>	<b>\$ 845,637</b>	<b>\$ 97,993</b>	<b>\$ 5,985</b>	<b>\$ 13,303,311</b>	<b>\$ 472,078</b>

**Southwestern Community College District**  
**Reconciliation of 50% Calculation with**  
**District Accounting Records**  
**For the Year Ended June 30, 2013**

	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	\$ 14,533,392	\$ -	\$ 14,533,392	\$ 14,533,393	\$ -	\$ 14,533,393
Other	1300	12,276,209	-	12,276,209	12,325,407	-	12,325,407
Total Instructional Salaries		26,809,601	-	26,809,601	26,858,800	-	26,858,800
Non-Instructional Salaries:							
Contract or Regular	1200	-	-	-	6,481,094	-	6,481,094
Other	1400	-	-	-	697,415	-	697,415
Total Non-Instructional Salaries		-	-	-	7,178,509	-	7,178,509
Total Academic Salaries		26,809,601	-	26,809,601	34,037,309	-	34,037,309
<u>Classified Salaries</u>							
Non-Instructional Salaries:							
Regular Status	2100	-	-	-	14,286,428	-	14,286,428
Other	2300	-	-	-	760,742	-	760,742
Total Non-Instructional Salaries		-	-	-	15,047,170	-	15,047,170
Instructional Aides:							
Regular Status	2200	1,469,868	-	1,469,868	1,593,795	-	1,593,795
Other	2400	502,722	-	502,722	544,675	-	544,675
Total Instructional Aides		1,972,590	-	1,972,590	2,138,470	-	2,138,470
Total Classified Salaries		1,972,590	-	1,972,590	17,185,640	-	17,185,640
Employee Benefits	3000	6,777,304	-	6,777,304	14,023,146	-	14,023,146
Supplies and Materials	4000	-	-	-	1,221,123	-	1,221,123
Other Operating Expenses	5000	407,719	-	407,719	6,434,135	-	6,434,135
Equipment Replacement	6420	-	-	-	14,017	-	14,017
Total Expenditures Prior to Exclusions		\$ 35,967,214	\$ -	\$ 35,967,214	\$ 72,915,370	\$ -	\$ 72,915,370
<u>Exclusions</u>							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Services	5900	\$ 1,259,132	\$ -	\$ 1,259,132	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,999,872	-	1,999,872
Objects to Exclude:							
Rents and Leases	5060	-	-	-	27,554	-	27,554
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	-	-	-	1,719,803	-	1,719,803
Capital Outlay:							
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 1,259,132	\$ -	\$ 1,259,132	\$ 3,747,229	\$ -	\$ 3,747,229
Total for ECS 84362, 50% Law		\$ 34,708,082	\$ -	\$ 34,708,082	\$ 69,168,141	\$ -	\$ 69,168,141
Percent of CEE (Instructional Salary Cost / Total CEE)		50.18%	-	50.18%	100.00%	-	100.00%
50% of Current Expense of Education					\$ 34,584,071	-	\$ 34,584,071



**Southwestern Community College District  
 Reconciliation of Education Protection Account Expenditures  
 with District Accounting Records  
 For the year ended June 30, 2013**

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Education Protection Account proceeds per the CCFS-311:       \$ 12,087,218

	<b>Activity Code (0100-5900)</b>	<b>Salaries &amp; Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
Instructional Activities	\$ -	\$ 12,087,218	\$ -	\$ -	\$ 12,087,218

**Southwestern Community College District**  
**Schedule of Expenditures of State Awards**  
**For the year ended June 30, 2013**

State Agency	Program Name	Cash Received	Accounts Receivable	Deferred Income	Total	Total Program Expenditures
<b>California Community Colleges Chancellor's Office:</b>						
<b>Direct Programs:</b>						
	Basic Skill	\$ 279,739	\$ -	\$ 131,374	\$ 148,365	\$ 148,365
	EOPS Category A	1,386,449	-	-	1,386,449	1,386,449
	EOPS CARE Support	112,665	-	-	112,665	112,665
	DSPS Programs and Services	961,688	-	-	961,688	961,688
	California Work Opportunity and Responsibility for Kids (CalWorks)	250,047	-	9,314	240,733	240,733
	Matriculation Assessment	524,004	-	-	524,004	524,004
	Matriculation Non-Credit	54,925	-	-	54,925	54,925
	Telecommunications	23,783	-	11,983	11,800	11,800
	Instructional Equipment and Library	719,312	284,725	533,493	470,544	470,544
	Temporary Cash Assistance for Needy Families (TANF)	80,048	-	-	80,048	80,048
	Center for International Trade Development	133,260	120,475	-	253,735	253,735
	Youth Entrepreneurship Program	66,228	-	-	66,228	66,228
	Mathematics, Engineering Science Achievement	6,526	-	-	6,526	6,526
	Enterprise Career Pathways	45,000	-	29,397	15,603	15,603
	Basic Skills - Hewlett	2,900	-	-	2,900	2,900
	Associate Degree Nursing Enrollment Growth	75,337	12,354	-	87,691	87,691
	Nursing Economic Stimulus Program	135	-	47	88	88
	Student Financial Aid Allowance	635,370	-	112,110	523,260	523,260
	Total direct programs	5,357,416	417,554	827,718	4,947,252	4,947,252
<b>Passed through Rancho Santiago Community College District:</b>						
	California State Trade and Export Program (CalSTEP)	31,377	25,735	-	57,112	57,112
	Total California Community Colleges Chancellor's Office	5,388,793	443,289	827,718	5,004,364	5,004,364
<b>California Department of Boating and Waterways:</b>						
<b>Direct Programs:</b>						
	Acquatic Center Grant	72,689	-	27,277	45,412	45,412
	Total California Department of Boating and Waterways	72,689	-	27,277	45,412	45,412
	Total State Programs	\$ 5,461,482	\$ 443,289	\$ 854,995	\$ 5,049,776	\$ 5,049,776

**Southwestern Community College District**  
**Budget Comparison Schedule - General Fund**  
**For the year ended June 30, 2013**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Federal	\$ 3,946,814	\$ 4,167,311	\$ 220,497
State	56,319,274	54,748,227	(1,571,047)
Local	27,095,246	28,318,991	1,223,745
<b>Total revenues</b>	<u>87,361,334</u>	<u>87,234,529</u>	<u>(126,805)</u>
<b>EXPENDITURES:</b>			
Salaries	60,109,957	59,832,935	277,022
Employee benefits	16,537,966	16,006,185	531,781
Payments to students	751,247	777,157	(25,910)
Supplies, materials, and other expenses	11,073,968	8,915,690	2,158,278
Utilities	2,125,310	2,187,224	(61,914)
<b>Total expenditures</b>	<u>90,598,448</u>	<u>87,719,191</u>	<u>2,879,257</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,237,114)</u>	<u>(484,662)</u>	<u>2,752,452</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	1,000,000	-	(1,000,000)
<b>Total other financing sources (uses)</b>	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (2,237,114)</u>	<u>(484,662)</u>	<u>\$ 1,752,452</u>
<b>FUND EQUITY:</b>			
Beginning of year		<u>9,456,662</u>	
End of year		<u>\$ 8,972,000</u>	

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