

Southwestern Community College District

Chula Vista, California

Basic Financial Statements

For the year ended June 30, 2011

Southwestern Community College District

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Southwestern Community College District

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Southwestern Community College District

Introductory Section

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

The Governing Board for the fiscal year ended June 30, 2011 was composed of the following members:

Member	Office	Term Expires
Tim Nader	President	November 2014
Norma L. Hernandez	Vice President	November 2014
Jean Roesch, Ed.D.	Board Member	November 2012
Terri Valladolid	Board Member	November 2014
Humberto Peraza	Board Member	November 2012
Claudia Duran	Student Board Member	May 2012

The Executive and Senior Administration for the fiscal year ended June 30, 2011 was composed of the following members:

Member	Office
Denise Whitaker	Superintendent/President
Robert Temple	Interim Vice-President for Business & Financial Affairs
Michael Kerns	Vice-President for Human Resources
Mark E. Meadows, Ph.D.	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

We have audited the accompanying financial statements of the business-type and fiduciary funds of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Southwestern Community College District Foundation (the "Foundation"), a discretely presented component unit of the District. Those financial statements were audited by other auditors whose report dated October 24, 2011 has been furnished to us, and our opinion on the basic financial statements of the District, insofar as it relates to the Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011, the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress for Defined Benefit Plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying Introductory Section, Combining Schedule of Assets, Liabilities, and Fund Balances, Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances to Government-Wide Statement of Net Assets, Combining Schedule of Revenues, Expenditures (Expenses), and Changes in Fund Equity (Net Assets), Reconciliation of Combining Schedule of Revenue, Expenditures (Expenses), and Change in Fund Equity (Net Assets) to Government-Wide Statement of Revenues, Expenses and Changes in Net Assets, Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting System, and Notes to Supplemental Information are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
January 6, 2012

Southwestern Community College District

Management's Discussion and Analysis

For the year ended June 30, 2011

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, 2011. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets of the District as a whole decreased by \$288,000 to \$69.7 million.
- Capital assets increased by \$8.1 million due primarily to the construction-in-progress occurring throughout the District relating to Proposition AA and R bond general obligation bond projects.
- General Fund revenues exceeded expenses by \$1.6 million compared to a budgeted deficit of \$3.2 million primarily due to unexpected additional State funding of \$2.5 million that was previously reduced.
- Budget savings in contract and service expenses were \$1.1 million and budget savings in capital outlay were \$800 thousand.
- Ending General Fund fund balance at June 30, 2011 was \$15,593,990 or 16.8% of General Fund expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements consist of the following four components:

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

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

Southwestern Community College District
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

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

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

The *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.

CAPITAL ASSETS

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2011. These changes are presented in detail in Note 4 to the financial statements.

	June 30, 2010	June 30, 2011	Change	Change %
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Improvements	22,576,940	23,520,727	943,787	4.2%
Buildings	82,134,464	79,971,654	(2,162,810)	-2.6%
Equipment	1,633,355	1,596,681	(36,674)	-2.2%
Construction in progress	1,913,165	11,309,675	9,396,510	491.2%
Totals	\$ 117,961,072	\$ 126,101,885	\$ 8,140,813	6.9%

Southwestern Community College District
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011

LONG TERM DEBT

The following table summarizes the District's long term debt and changes therein for the year ended June 30, 2011. During the year, the District issued \$68,730,371 in 2008 Proposition R Series C General Obligation Bonds and refinanced the Lease Revenue Bonds. Changes in long term debt are presented in detail in Note 6 to the financial statements.

	<u>Balance 6/30/10</u>	<u>Balance 6/30/11</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable:				
Lease Revenue	\$ 1,625,000	\$ 1,410,000	\$ (215,000)	-13.2%
GO Bond, Series 2001	12,993,974	12,993,974	-	0.0%
GO Bond 2005	37,310,000	36,345,000	(965,000)	-2.6%
GO Bond 2005, Refunding Series B	31,654,682	30,235,000	(1,419,682)	-4.5%
Prop R - Series A	10,225,000	8,690,000	(1,535,000)	-15.0%
Prop R - Series B	89,775,000	89,775,000	-	0.0%
Prop R - Series C	-	68,730,371	68,730,371	
Unamortized premiums	7,766,446	7,810,522	19,105	0.2%
Totals	\$ 191,350,103	\$ 255,989,868	\$ 64,614,794	33.8%

ECONOMIC FACTORS AND 2011-12 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 2011-12 Adopted Budget includes revenue and expense projections based on the best information available to date. To address the current budget reductions requirements, and in the face of potential mid-year cuts, the budget planning groups continue to evaluate the impact of the changes and modify the strategic budget plans accordingly. The Adopted Budget also includes sufficient reserves for the District's stability and security, including a Governing Board reserve of 7%, as well as reserve funds to meet insurance and long-term liability needs.

The District's unrestricted general fund revenue budget for FY 2011-12 is \$76.6 million consisting of California State principal apportionment of \$48.7 million, property taxes of \$17.5 million, enrollment fees of \$5.3 million, and \$5.1 million in other revenues. Unrestricted budgeted expenses of \$81.6 million exceed budgeted revenue by \$5 million. The District has budgeted FY 2011-12 conservatively and the Governing Board has approved the budget with this excess of expenses over revenue with a directive to identify up to \$2 million in additional expense savings or revenue increases over the year.

**Southwestern Community College District
Management's Discussion and Analysis, Continued
For the year ended June 30, 2011**

The District's 2011-2012 General Fund unrestricted budgeted expenses of \$81.6 million decreased \$1.8 million from prior year budget. Proposition AA and R Bond funds that are separate from the General Fund have an expense budget of \$66.5 million. The total District-wide budget for all funds in 2011-2012 is \$164.1 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 92108.

BASIC FINANCIAL STATEMENTS

Southwestern Community College District
Statement of Net Assets
June 30, 2011

	District	Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,027,898	\$ 201,149
Investments	276,070	662,304
Accounts receivable	17,239,735	4,778
Inventories	1,279,253	-
Prepaid items	3,254	-
Total current assets	34,826,210	868,231
Noncurrent assets:		
Restricted cash and cash equivalents	102,421,429	-
Restricted investments	81,074,883	-
Capital assets, net	126,101,885	-
Unamortized deferred charges	2,709,893	-
Total noncurrent assets	312,308,090	-
Total assets	347,134,300	868,231
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	3,273,199	10,455
Interest payable	4,563,110	-
Payroll and related liabilities	4,202,647	-
Unearned revenue	6,052,157	-
Due to fiduciary funds	48,994	-
Compensated absences - due within one year	400,000	-
Retirement plan payable - due within than one year	200,000	-
Long-term liabilities - due within one year	6,360,000	-
Total current liabilities	25,100,107	10,455
Noncurrent liabilities:		
Insurance claims payable	94,327	-
Compensated absences - due in more than one year	1,891,270	-
Retirement plan payable - due in more than one year	354,311	-
Net OPEB liability	338,201	-
Long-term liabilities - due in more than one year	249,629,868	-
Total noncurrent liabilities	252,307,977	-
Total liabilities	277,408,084	10,455
Net Assets:		
Invested in capital assets, net of related debt	38,829,630	-
Restricted for:		
Special projects	-	617,836
Capital projects	-	-
Debt service	14,637,699	-
Total restricted	14,637,699	617,836
Unrestricted	16,258,887	239,940
Total net assets	\$ 69,726,216	\$ 857,776

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

	District	Foundation
OPERATING REVENUES:		
Tuition and fees	\$ 6,858,614	\$ -
Grants and contracts, non-capital:		
Federal	6,854,128	-
State	1,863,158	-
Local	1,580,300	-
Total grants and contracts, non-capital	10,297,586	-
Auxiliary enterprise sales and charges, net	4,811,194	-
Other operating revenues	-	319,409
Total operating revenues	21,967,394	319,409
OPERATING EXPENSES:		
Salaries	65,987,451	-
Employee benefits	15,815,906	-
Payments to students	26,043,496	77,325
Supplies, materials, and other expenses	13,431,390	198,771
Utilities	2,312,509	-
Depreciation	3,945,609	-
Total operating expenses	127,536,361	276,096
Operating income (loss)	(105,568,967)	43,313
NONOPERATING REVENUE (EXPENSES):		
Federal grants, non-capital	21,367,467	-
State apportionments, non-capital	60,960,781	-
Local property taxes, non-capital	32,356,895	-
State taxes and other revenues	2,685,813	-
Investment income, non-capital	789,954	85,426
Interest expense	(15,257,794)	-
Other nonoperating revenues (expenses)	2,377,958	-
Total nonoperating revenues (expenses), net	105,281,074	85,426
Net change in net assets	(287,893)	128,739
NET ASSETS:		
Beginning of year	70,014,109	729,037
End of year	\$ 69,726,216	\$ 857,776

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Cash Flows
For the year ended June 30, 2011

	District	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 5,550,651	\$ -
Grants and contracts	10,297,586	-
Payments for supplies and services	(14,137,838)	(152,608)
Payments for utilities	(2,312,509)	-
Payments to/on behalf of employees	(81,879,361)	-
Payments to students	(26,043,496)	(77,325)
Auxiliary enterprise sales and charges	4,811,194	-
Other operating revenues and expenses	6,685	319,409
Net cash provided (used) by operating activities	(103,707,088)	89,476
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Federal Pell grants	21,367,467	-
State apportionments	60,960,781	-
Local property taxes	21,606,778	-
State taxes and other revenues	2,685,813	-
Other	2,561,006	-
Net cash provided (used) by noncapital financing activities	109,181,845	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition of capital assets	(12,516,735)	-
Disposition of capital assets	430,313	-
Proceeds from bond issuance	70,883,308	-
Costs of bond issuance	(693,248)	-
Principal paid on long-term debt	(1,625,000)	-
Net cash provided (used) by capital financing activities	51,915,528	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(81,350,953)	(15,515)
Interest and investment proceeds	789,954	15,594
Cash provided by investing activities	(80,560,999)	79
Net increase (decrease) in cash and investments	(23,170,714)	89,555
CASH AND CASH EQUIVALENTS		
Beginning of year	141,620,041	111,594
End of year	<u>\$ 118,449,327</u>	<u>\$ 201,149</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS:		
Cash and cash equivalents	\$ 16,027,898	\$ 201,149
Restricted cash and cash equivalents	102,421,429	-
Total cash and cash equivalents	<u>\$ 118,449,327</u>	<u>\$ 201,149</u>

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Cash Flows, Continued
For the year ended June 30, 2011

	District	Foundation
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (105,568,967)	\$ 43,313
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,945,609	-
Change in assets and liabilities:		
Receivables	(2,946,268)	38,066
Inventories	89,340	-
Prepaid items	58,063	-
Accounts payable and accrued liabilities	(853,851)	8,097
Payroll and related liabilities	258,632	-
Unearned revenue	1,638,305	-
Due to fiduciary funds	1,290	-
Insurance claims payable	5,395	-
Retirement plan payable	(190,757)	-
Net OPEB obligations	266,468	-
Compensated absences	(410,347)	-
Net cash provided (used) by operating activities	\$ (103,707,088)	\$ 89,476
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Local Property Taxes	\$ 15,313,227	\$ -
Principal payment of Long-Term Debt	(3,919,682)	-
Interest payment of Long-Term Debt	(11,393,545)	-
Total noncash capital and related financing activities	\$ -	\$ -

See accompanying notes to basic financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

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Southwestern Community College District
Statement of Fiduciary Net Assets
June 30, 2011

	Associated Student Trusts	Academic Affairs	Total
ASSETS			
Current assets:			
Cash and investments	\$ 729,689	\$ 450,160	\$ 1,179,849
Accounts receivable	12,419	1,928	14,347
Due from District	53,963	2,608	56,571
Other assets	43,983	-	43,983
Total assets	840,054	454,696	1,294,750
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued liabilities	1,805	449,394	451,199
Due to District	7,577	-	7,577
Deferred revenue	15,327	-	15,327
Deposits payable	73,555	-	73,555
Total liabilities	98,264	449,394	547,658
Net Assets:			
Unrestricted	741,790	5,302	747,092
Total net assets	\$ 741,790	\$ 5,302	\$ 747,092

See accompanying notes to basic financial statements.

Southwestern Community College District
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2011

	Associated Student Trusts	Academic Affairs	Total
OPERATING REVENUES:			
Student fees	\$ 280,910	\$ -	\$ 280,910
Other revenues	6,958	1,208	8,166
Total operating revenues	287,868	1,208	289,076
OPERATING EXPENSES:			
Salaries and benefits	98,430	-	98,430
Payments to students	18,500	-	18,500
Supplies, materials, and other expenses	167,653	1,067	168,720
Depreciation	-	-	-
Total operating expenses	284,583	1,067	285,650
Operating income (loss)	3,285	141	3,426
TRANSFERS:			
Transfers from District	-	-	-
Total transfers	-	-	-
Net Change in Net Assets	3,285	141	3,426
NET ASSETS:			
Beginning of year	738,505	5,161	743,666
End of year	<u>\$ 741,790</u>	<u>\$ 5,302</u>	<u>\$ 747,092</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Southwestern Community College District
Notes to Basic Financial Statements
For the year ended June 30, 2011

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.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Reporting Entity*. The District evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete.

The financial reporting entity, as defined by GASB, 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, 2011:

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

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

The Southwestern College Foundation

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

B. Basis of Accounting and Measurement Focus

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Basic Financial Statements

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

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

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

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

C. Cash, Cash Equivalents, and Investments

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, 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.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, the District adheres to certain disclosure requirements, if applicable for deposit and investment risks, that are specified for the following areas:

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Restricted Cash, Cash Equivalents and Investments

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

E. Accounts Receivable

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

F. Inventories

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

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

In governmental fund types, bond discounts, premiums, issuance costs, and refunding losses are recognized in the period of bond issuance as other financing sources or uses. In the government-wide financial statements, they are amortized over the life of the bond.

H. Compensated Absences

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

I. Capital Assets

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

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, Continued

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

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

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

J. Net Assets

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

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

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

K. Unearned Revenue

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

L. Property Taxes

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

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

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Property Taxes, Continued

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

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

M. On-Behalf Payments

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

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

N. Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, including state appropriations, local property taxes and investment income.

Revenues are classified according to the following criteria:

Operating Revenues

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

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources as described in GASB Statement No. 34, such as state appropriations, state and local property taxes and investment income.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Scholarship Discounts and Allowances

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

P. Use of Estimates

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

2. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2011:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents	\$ 16,027,898	\$ 1,179,849	\$ 201,149	\$ 17,408,896
Restricted cash and cash equivalents	102,421,429	-	-	102,421,429
Total cash and cash equivalents	118,449,327	1,179,849	201,149	119,830,325
Investments	276,070	-	662,304	938,374
Restricted investments	81,074,883	-	-	81,074,883
Total investments	81,350,953	-	662,304	82,013,257
Total cash and investments	\$ 199,800,280	\$ 1,179,849	\$ 863,453	\$ 201,843,582

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

Cash, cash equivalents, and investments consisted of the following at June 30, 2011:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents:				
Cash on hand	\$ 50,000	\$ -	\$ -	\$ 50,000
Cash in bank accounts	10,408,476	1,179,849	201,149	11,789,474
Cash in County treasury	104,775,799	-	-	104,775,799
Money market funds	3,215,052	-	-	3,215,052
Total cash and cash equivalents	118,449,327	1,179,849	201,149	119,830,325
Investments:				
US Government securities	53,541,223	-	-	53,541,223
Certificates of Deposit	27,809,730	-	-	27,809,730
Money market funds	-	-	28,867	28,867
Mutual funds	-	-	633,437	633,437
Total investments	81,350,953	-	662,304	82,013,257
Total cash and investments	\$ 199,800,280	\$ 1,179,849	\$ 863,453	\$ 201,843,582

San Diego County Investment Pool

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

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

The District is a participant in the 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, 2011, the District had \$104,775,799 invested in the San Diego County Investment Pool.

Restricted Cash and Investments

As of June 30, 2011, the District had restricted cash and investments totaling \$183,496,312. This amount is restricted to be used for acquisition, construction, renovation, repair and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District.

Interest Rate Risk

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

Credit Risk

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

	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Federal Home Loan Bank	\$ 30,241,054	Aaa	AAA
Federal National Mortgage Association	14,222,898	Aaa	AAA
Federal Home Loan Mortgage Corporation	3,508,764	Aaa	AAA
Federal Farm Credit Bank	5,568,507	Aaa	AAA
Certificates of deposit	27,809,730	Not Rated	Not Rated
	<u>\$ 81,350,953</u>		

Concentration of Credit Risk

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

Custodial Credit Risk

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

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

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

3. ACCOUNTS RECEIVABLE

The following is a summary of receivables at June 30, 2011:

	District	Foundation
Grants:		
Federal	\$ 834,511	\$ -
State	584,722	-
Local	1,297,035	-
Total grants	2,716,268	-
State Apportionments	13,195,721	-
Lottery Apportionments	847,892	-
Other	479,854	4,778
Total	\$ 17,239,735	\$ 4,778

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. CAPITAL ASSETS

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Nondepreciable:					
Land	\$ 9,703,148	\$ -	\$ -	\$ -	\$ 9,703,148
Construction in progress	1,913,165	10,080,324	-	(683,814)	11,309,675
Total nondepreciable	11,616,313	10,080,324	-	(683,814)	21,012,823
Depreciable:					
Site improvements	28,955,546	1,914,203	(2,049,185)	683,814	29,504,378
Buildings	102,920,456	-	(254,793)	-	102,665,663
Equipment	5,072,085	522,208	(123,309)	-	5,470,984
Total depreciable, at cost	136,948,087	2,436,411	(2,427,287)	683,814	137,641,025
Less accumulated depreciation:					
Site improvements	(6,378,606)	(1,353,537)	1,748,492	-	(5,983,651)
Buildings	(20,785,992)	(2,061,393)	153,376	-	(22,694,009)
Equipment	(3,438,730)	(530,679)	95,106	-	(3,874,303)
Total accumulated depreciation	(30,603,328)	(3,945,609)	1,996,974	-	(32,551,963)
Total depreciable, net	106,344,759	(1,509,198)	(430,313)	683,814	105,089,062
Total capital assets, net	\$ 117,961,072	\$ 8,571,126	\$ (430,313)	\$ -	\$ 126,101,885

Depreciation expense for capital assets for the year ended June 30, 2011 was \$3,945,609.

5. UNEARNED REVENUE

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2011 for the subsequent 2011-2012 year. As of June 30, 2011, the District's unearned revenue balance consists of the following:

Federal sources	\$ 511,217
State sources	1,440,261
Enrollment fees	1,821,312
Other local sources	2,279,367
	<u>\$ 6,052,157</u>

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year	Due In More Than One Year
Bonds payable:						
Lease Revenue Bonds	\$ 1,625,000	\$ 1,410,000	\$ (1,625,000)	\$ 1,410,000	\$ 80,000	\$ 1,330,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2005	37,310,000	-	(965,000)	36,345,000	1,085,000	35,260,000
GO Bond 2005, Refunding Ser:	31,654,683	-	(1,419,682)	30,235,001	2,795,000	27,440,001
GO Bond 2008, Series A	10,225,000	-	(1,535,000)	8,690,000	115,000	8,575,000
GO Bond 2008, Series B	89,775,000	-	-	89,775,000	-	89,775,000
GO Bond 2008, Series C	-	68,730,371	-	68,730,371	2,285,000	66,445,371
Unamortized premium	7,766,446	742,937	(698,861)	7,810,522	-	7,810,522
Total bonds payable	191,350,103	70,883,308	(6,243,543)	255,989,868	6,360,000	249,629,868
Retirement plans payable:						
CalSTRS Retirement Plan	745,086	-	(190,775)	554,311	200,000	354,311
Compensated absences:	2,701,617	-	(410,347)	2,291,270	400,000	1,891,270
Total	\$ 194,796,806	\$ 70,883,308	\$ (6,844,665)	\$ 258,835,449	\$ 6,960,000	\$ 251,875,449

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, 2011 is \$1,780,405.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

The annual requirements for debt service outstanding at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 80,000	\$ 46,294	\$ 126,294
2013	85,000	43,819	128,819
2014	85,000	41,269	126,269
2015	90,000	38,644	128,644
2016	90,000	35,494	125,494
2017-2021	490,000	132,244	622,244
2022-2024	490,000	32,641	522,641
Total	<u>\$ 1,410,000</u>	<u>\$ 370,405</u>	<u>\$ 1,780,405</u>

General Obligation Bonds - 2004

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

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

The annual requirements for debt service outstanding at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ -	\$ -
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017-2021	-	-	-
2022-2026	2,866,505	8,293,775	11,160,280
2027-2030	10,127,469	21,147,251	31,274,720
Total	<u>\$ 12,993,974</u>	<u>\$ 29,441,026</u>	<u>\$ 42,435,000</u>

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

General Obligation Bonds – 2005

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

The bonds are solely payable from *ad valorem* property taxes levied. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds - 2005. Total principal and interest remaining on the bonds is \$52,732,513, payable through fiscal year 2026.

The annual requirements for debt service payments outstanding at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,085,000	\$ 1,719,825	\$ 2,804,825
2013	1,220,000	1,673,725	2,893,725
2014	1,370,000	1,621,925	2,991,925
2015	1,520,000	1,564,125	3,084,125
2016	1,680,000	1,491,725	3,171,725
2017-2021	11,505,000	5,932,188	17,437,188
2022-2026	17,965,000	2,384,000	20,349,000
Total	<u>\$ 36,345,000</u>	<u>\$ 16,387,513</u>	<u>\$ 52,732,513</u>

General Obligation Bonds – 2005 Refunding Series B

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

The bonds are solely payable from *ad valorem* property taxes levied. The District pledged all *ad valorem* property tax levied and collected to repay the outstanding principal and interest of the General Obligation Bonds – 2005 Refunding Series B. Total principal and interest remaining on the bonds is \$36,654,307, payable through fiscal year 2019.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

The annual requirements for debt service outstanding at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,795,000	\$ 1,513,969	\$ 4,308,969
2013	3,215,000	1,356,206	4,571,206
2014	3,670,000	1,175,475	4,845,475
2015	4,165,000	969,806	5,134,806
2016	4,705,000	736,969	5,441,969
2017-2019	11,685,001	666,881	12,351,882
Total	\$ 30,235,001	\$ 6,419,306	\$ 36,654,307

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.

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

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

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

The bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District has pledged all *ad valorem* property tax levied and collected to pay repay the outstanding principal and interest of the bonds. Total principal and interest remaining on the bonds as of June 30, 2011 is \$12,338,152, \$232,783,731 and \$228,732,320 for Series A, B, and C, respectively.

The annual requirements for debt service outstanding at June 30, 2011 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2012	\$ 115,000	\$ 474,788	\$ 589,788
2013	125,000	468,188	593,188
2014	255,000	457,738	712,738
2015	400,000	439,725	839,725
2016	550,000	413,600	963,600
2017-2021	5,495,000	1,345,988	6,840,988
2022	1,750,000	48,125	1,798,125
Total	\$ 8,690,000	\$ 3,648,152	\$ 12,338,152

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
2012	\$ -	\$ 6,401,727	\$ 6,401,727
2013	-	6,401,727	6,401,727
2014	-	6,401,727	6,401,727
2015	-	6,401,727	6,401,727
2016	-	6,401,727	6,401,727
2017-2021	-	32,008,635	32,008,635
2022-2026	9,500,000	30,880,801	40,380,801
2027-2031	18,735,000	25,810,355	44,545,355
2032-2036	28,885,000	17,361,312	46,246,312
2037-2040	32,655,000	4,938,993	37,593,993
Total	\$ 89,775,000	\$ 143,008,731	\$ 232,783,731

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
2012	\$ 2,285,000	\$ 1,774,645	\$ 4,059,645
2013	45,000	2,834,413	2,879,413
2014	-	2,833,963	2,833,963
2015	30,000	2,833,513	2,863,513
2016	100,000	2,831,563	2,931,563
2017-2021	1,765,000	14,001,288	15,766,288
2022-2026	4,545,000	13,245,438	17,790,438
2027-2031	8,375,000	11,654,938	20,029,938
2032-2036	13,700,000	8,850,925	22,550,925
2037-2041	27,994,289	7,513,419	35,507,708
2042-2046	8,442,253	75,096,673	83,538,926
2047	1,448,829	16,531,172	17,980,001
Total	\$ 68,730,371	\$ 160,001,950	\$ 228,732,321

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, 2011, the outstanding balance of CalSTRS was \$554,311.

Compensated Absences

The District's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$2,291,270.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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	\$550 per year after age 65	\$500 per year after age 65**

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

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

Funding Policy

In fiscal year 2008, the District contributed \$1,000,000 to the Community College League of California - Joint Powers Authority (CCLC-JPA) and has adopted a goal of fully funding the plan on a fully projected basis by allowing the \$1,000,000 to grow with interest until it is sufficient to pay all future retiree benefits. The District contributed an additional \$500,000 during fiscal year 2010. At June 30, 2011, the market value of the irrevocable trust was \$2,974,636.

Annual OPEB Cost

For the year ended June 30, 2011, the District's Annual Required Contribution ("ARC") for OPEB was \$766,468. The District's annual OPEB cost, the percentage of annual OPEB cost to be contributed to the plan, and the Net OPEB Obligation are as follows:

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Increase (Decrease) in OPEB Obligation	Net OPEB Obligation
6/30/2009	\$ 766,468	\$ 785,887	103%	\$ 19,419	\$ 194,735
6/30/2010	\$ 766,468	\$ 500,000	65%	\$ (266,468)	\$ (71,733)
6/30/2011	\$ 766,468	\$ 500,000	65%	\$ (266,468)	\$ (338,201)

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. OTHER POST EMPLOYMENT BENEFITS, Continued

Most Recent Actuarial Study – Status of Funding Progress

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Unfunded Actuarial Liabilities as Percentage of Liabilities as Covered Payroll
8/1/2009	\$ 1,389,717	\$ 9,672,114	\$ 8,282,397	14.37%	\$ 3,872,045	213.90%

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

Actuarial Methods and Assumptions

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

The plan's most recent actuarial valuation was performed as of August 1, 2009. In that valuation, the Entry Aged Normal Cost Method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 4 percent, and a 3 percent payroll increase per year. All assumptions reflect an implicit 3 percent 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, 2011 was 30 years.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

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

Under State Teachers' Retirement Law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees as of June 30, 2011.

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 2010-2011 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, 2011, 2010 and 2009 were \$3,033,085, \$3,074,710, and \$3,072,636, 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, 2011

8. EMPLOYEE RETIREMENT SYSTEMS, 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 2010-2011 was 10.707% 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, 2011, 2010 and 2009 were \$2,369,984, 1,966,399, and \$2,050,090, respectively, and equal 100% of the annual required contributions.

Most Recent Actuarial Study – Status of Funding Progress

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

On-behalf Payments Made by the State of California

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

9. RISK MANAGEMENT

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

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

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

Claims Liabilities

The increase in Incurred But Not Paid (IBNP) claims is calculated by subtracting an estimate of outstanding claims at June 30, 2009 from an estimate of claims still outstanding at June 30, 2011. The estimate of claims outstanding at June 30, 2011 is based on an actuarial method known as the Bornhuetter-Ferguson Method.

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. RISK MANAGEMENT, Continued

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

The following is a summary of the changes in Incurred But Not Paid (IBNP) for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year	Due In More Than One Year
Incurred but not paid (IBNP)	\$ 88,932	\$ 5,395	\$ -	\$ 94,327	\$ -	\$ 94,327

10. JOINT VENTURES (JOINT POWERS AGREEMENT)

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

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

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

	June 30, 2010
Assets	\$ 46,019,292
Liabilities	\$ 21,417,925
Net assets	\$ 24,601,367
Operating revenues	\$ 9,338,400
Operating expenses	\$ 12,547,315
Nonoperating revenues	\$ 1,779,679
Change in nets assets	\$ (1,429,236)

Southwestern Community College District
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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.

Sick Leave

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

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

Construction

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$16,822,000 as of June 30, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION

Southwestern Community College District
Required Supplementary Information
For the year ended June 30, 2011

1. SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFITS PLANS

California State Teachers' Retirement System (CalSTRS)

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

California Public Employees' Retirement System (CalPERS)

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

Other Post Employment Benefits (OPEB)

A schedule of funding progress for the year ended June 30, 2011 including the actuarial valuations is presented below.

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	Unfunded Actuarial Liabilities as Percentage of Liabilities as Covered Payroll
12/1/2005	\$ -	\$ 10,778,362	\$ 10,778,362	0.00%	\$ 3,434,028	313.87%
8/1/2009	\$ 1,389,717	\$ 9,672,114	\$ 8,282,397	14.37%	\$ 3,872,045	213.90%

SUPPLEMENTAL INFORMATION

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances
June 30, 2011

	General Fund	Prop AA Bond Fund	Prop R Bond Fund	Student Center	Capital Outlay	Bookstore
ASSETS						
Current assets:						
Cash and investments	\$ 12,381,540	\$ -	\$ -	\$ 53,604	\$ 1,908,560	\$ 1,246,442
Accounts receivable	16,779,188	24,750	158,950	148	2,526	225,601
Inventories	125,309	-	-	-	-	1,115,400
Prepaid items	3,254	-	-	-	-	-
Due from other funds	115,936	-	68,730,371	149,668	-	3,351
Restricted cash and investments	-	74,826,972	93,890,641	141,000	-	-
Total current assets	29,405,227	74,851,722	162,779,962	344,420	1,911,086	2,590,794
Noncurrent assets:						
Capital assets, net	-	-	-	-	-	129,065
Total noncurrent assets	-	-	-	-	-	129,065
Total assets	\$ 29,405,227	\$ 74,851,722	\$ 162,779,962	\$ 344,420	\$ 1,911,086	\$ 2,719,859
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	1,096,343	847,020	1,115,192	41,347	-	141,333
Payroll and related liabilities	4,202,647	-	-	-	-	-
Compensated absences	2,291,270	-	-	-	-	-
Deferred revenue	6,037,445	-	-	-	-	1,018
Due to other funds	183,532	68,755,300	7,775	-	-	75,227
Deposits payable	-	-	-	-	-	-
Total liabilities	13,811,237	69,602,320	1,122,967	41,347	-	217,578
Fund Balances	15,593,990	5,249,402	161,656,995	303,073	1,911,086	2,502,281
Total liabilities and fund balances	\$ 29,405,227	\$ 74,851,722	\$ 162,779,962	\$ 344,420	\$ 1,911,086	\$ 2,719,859

Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance	Total
\$ 89,782	\$ 729,689	\$ 156,498	\$ 450,160	\$ -	\$ 467,542	\$ 17,483,817
47,183	12,419	757	1,928	-	632	17,254,082
38,544	-	-	-	-	-	1,279,253
-	-	-	-	-	-	3,254
4,136	53,963	-	2,608	-	-	69,060,033
-	-	-	-	14,637,699	-	183,496,312
179,645	796,071	157,255	454,696	14,637,699	468,174	288,576,751
84,680	43,983	-	-	-	-	257,728
84,680	43,983	-	-	-	-	257,728
\$ 264,325	\$ 840,054	\$ 157,255	\$ 454,696	\$ 14,637,699	\$ 468,174	\$ 288,834,479
31,890	1,805	74	449,394	-	-	\$ 3,724,398
-	-	-	-	-	-	4,202,647
-	-	-	-	-	-	2,291,270
13,694	15,327	-	-	-	-	6,067,484
30,622	7,577	-	-	-	-	69,060,033
-	73,555	-	-	-	-	73,555
76,206	98,264	74	449,394	-	-	85,419,387
188,119	741,790	157,181	5,302	14,637,699	468,174	203,415,092
\$ 264,325	\$ 840,054	\$ 157,255	\$ 454,696	\$ 14,637,699	\$ 468,174	\$ 288,834,479

Southwestern Community College District
Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances
to Government-Wide Statement of Net Assets
June 30, 2011

Total Fund Balances reported in the Combining Balance Sheet	\$ 203,415,092
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Amounts reported in the Statement of Net Assets are differently because:

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

Government-Wide capital assets	126,101,885
Less enterprise funds capital assets	<u>(213,745)</u>
Total capital assets not reported in the funds	<u>125,888,140</u>

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

Insurance claims payable	(94,327)
Retirement plans payable - due within one year	(200,000)
Retirement plans payable - due in more than one year	(354,311)
Net OPEB liability	(338,201)
Long-term liabilities - due within one year	(6,360,000)
Long-term liabilities - due in more than one year	<u>(249,629,868)</u>
Total long-term liabilities not reported in the funds	<u>(256,976,707)</u>

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

<u>(4,563,110)</u>

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

Associated Student Trust	(741,790)
Academic Affairs	<u>(5,302)</u>
Total fiduciary activities	<u>(747,092)</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.

<u>2,709,893</u>

Net assets	\$ 69,726,216
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See accompanying Independent Auditor's Report

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Southwestern Community College District

Combining Schedule of Revenues, Expenditures (Expenses) and Changes in Fund Equity (Net Assets)

For the year ended June 30, 2011

	General Fund	Prop AA Bond Fund	Prop R Bond Fund	Student Center	Capital Outlay	Bookstore
OPERATING REVENUES:						
Tuition and fees	\$ 6,694,583	\$ -	\$ -	\$ 164,031	\$ -	\$ -
Federal grant, non-capital	4,389,110	-	-	-	-	-
State grant, non-capital	300,783	-	-	-	-	-
Local grant, non-capital	1,580,300	-	-	-	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-	3,550,002
Other operating revenues	-	-	-	-	-	-
Total operating revenues	12,964,776	-	-	164,031	-	3,550,002
OPERATING EXPENDITURES/EXPENSES:						
Salaries	64,572,322	82,509	47,051	-	-	633,451
Employee benefits	15,350,176	13,017	1,990	-	-	169,493
Payments to students	747,711	-	-	-	-	-
Supplies, materials, and other expenses	9,688,779	5,438,287	6,709,256	161,881	336,835	2,856,433
Utilities	2,308,708	-	-	-	-	2,318
Depreciation	-	-	-	-	-	52,762
Total operating expenditures/expenses	92,667,696	5,533,813	6,758,297	161,881	336,835	3,714,457
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(79,702,920)	(5,533,813)	(6,758,297)	2,150	(336,835)	(164,455)
NONOPERATING REVENUE/(EXPENSES):						
Federal grant, non-capital	-	-	-	-	-	-
State apportionments, non-capital	60,960,781	-	-	-	-	-
Local property taxes, non-capital	17,622,119	-	-	-	-	-
State taxes and other revenues	2,685,813	-	-	-	-	-
Investment income	108,290	74,387	523,599	1,157	12,089	1,322
Other non-operating revenue/(expense)	263,885	(106,745)	59	300,434	232,617	5,843
Grants and gifts	-	-	-	-	-	-
Debt service:						
Proceeds from bond issuance	-	-	68,730,371	1,410,000	-	-
Premium on bond issuance	-	-	716,045	26,892	-	-
Costs of bond issuance	-	-	(641,922)	(51,326)	-	-
Principal payment	-	-	-	(1,625,000)	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total non-operating expenditures/expenses	81,640,888	(32,358)	69,328,152	62,157	244,706	7,165
NET INCOME/LOSS BEFORE TRANSFERS	1,937,968	(5,566,171)	62,569,855	64,307	(92,129)	(157,290)
TRANSFERS:						
Transfers in	10,000	-	-	-	-	-
Transfers out	(331,842)	-	(10,000)	-	-	-
Transfers	(321,842)	-	(10,000)	-	-	-
Net changes in fund balance/net assets	1,616,126	(5,566,171)	62,559,855	64,307	(92,129)	(157,290)
FUND EQUITY/NET ASSETS:						
Beginning of year	13,977,864	10,815,573	99,097,140	238,766	2,003,215	2,659,571
End of year	<u>\$ 15,593,990</u>	<u>\$ 5,249,402</u>	<u>\$ 161,656,995</u>	<u>\$ 303,073</u>	<u>\$ 1,911,086</u>	<u>\$ 2,502,281</u>

Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption Fund	Self Insurance	Total
\$ -	\$ 280,910	\$ -	\$ -	\$ -	\$ -	\$ 7,139,524
-	-	2,465,018	-	-	-	6,854,128
-	-	1,562,375	-	-	-	1,863,158
-	-	-	-	-	-	1,580,300
1,261,192	-	-	-	-	-	4,811,194
-	6,958	-	-	-	-	6,958
1,261,192	287,868	4,027,393	-	-	-	22,255,262
652,118	96,842	-	-	-	-	66,084,293
200,142	1,588	-	-	-	-	15,736,406
-	18,500	25,295,785	-	-	-	26,061,996
752,858	159,879	-	1,067	-	-	26,105,275
1,483	2,550	-	-	-	-	2,315,059
10,332	-	-	-	-	-	63,094
1,616,933	279,359	25,295,785	1,067	-	-	136,366,123
(355,741)	8,509	(21,268,392)	(1,067)	-	-	(114,110,861)
-	-	21,367,467	-	-	-	21,367,467
-	-	-	-	-	-	60,960,781
-	-	-	-	14,734,776	-	32,356,895
-	-	-	-	-	-	2,685,813
-	-	140	1,208	67,298	1,672	791,162
-	(5,224)	-	-	2,211,605	83,639	2,986,113
-	-	-	-	-	-	-
-	-	-	-	-	-	70,140,371
-	-	-	-	-	-	742,937
-	-	-	-	-	-	(693,248)
-	-	-	-	(3,919,682)	-	(5,544,682)
-	-	-	-	(11,393,545)	-	(11,393,545)
-	-	-	-	-	-	-
-	(5,224)	21,367,607	1,208	1,700,452	85,311	174,400,064
(355,741)	3,285	99,215	141	1,700,452	85,311	60,289,203
418,885	-	-	-	-	-	428,885
(87,043)	-	-	-	-	-	(428,885)
331,842	-	-	-	-	-	-
(23,899)	3,285	99,215	141	1,700,452	85,311	60,289,203
212,018	738,505	57,966	5,161	12,937,247	382,863	143,125,889
\$ 188,119	\$ 741,790	\$ 157,181	\$ 5,302	\$ 14,637,699	\$ 468,174	\$ 203,415,092

Southwestern Community College District

Reconciliation of Combining Schedule of Revenues, Expenditures (Expenses) and Changes in Fund Equity to Government-Wide Statement of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2011

Revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ 60,289,203
Amounts reported in the Statement of Activities were different because:	
Capital outlay expenditures reported in the governmental funds that were not capitalized on the Government-Wide Statement of Net Assets were reclassified as Supplies, Materials, and Other Expenses.	12,512,939
Disposal of capital assets provided current financial resources to governmental funds, but disposal of capital assets decreased capital assets in the Government-Wide Statement of Net Assets.	(430,313)
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation was not reported as an expenditure in governmental funds.	(3,882,515)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest was not reported as an expenditure in governmental funds.	(4,563,110)
Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets:	
Retirement plan payable	190,775
Insurance claims payable	(5,395)
Lease revenue bonds	1,625,000
General Obligation bonds	3,919,682
Total repayment of long-term liabilities	5,730,062
Amortization expense on unamortized bond premiums is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.	(698,861)
The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets.	(70,140,371)
Governmental funds reported bond premium as a revenue. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the bond premium was allocated over the life of the bond.	(742,937)
Governmental funds reported bond issuance costs as an expenditure. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the bond issuance costs were allocated over the lives of the bonds.	693,248
Net OPEB liability is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, the change in the OPEB liability is not reported as an expenditure in governmental funds.	(266,468)
Amortization expense on unamortized deferred charges is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, amortization is not reported as an expenditure in governmental funds.	(183,066)
Student activities are fiduciary activities and therefore are not reported in the government-wide statement of activities.	
Associated Student Trust	(3,285)
Academic Affairs	(141)
Total fiduciary activities	(3,426)
Change in Net Assets	\$ (287,893)

See accompanying Independent Auditor's Report

SINGLE AUDIT

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

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

We have audited the financial statements of the business-type and fiduciary funds of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents and have issued our report thereon dated January 6, 2012. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

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

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

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
January 6, 2012



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

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

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

Compliance and Other Matters

We have audited the Southwestern Community College District's (District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express our opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

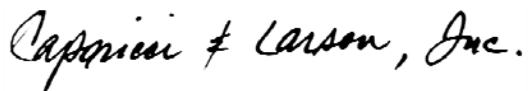
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over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

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

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

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

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



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
January 6, 2012

Southwestern Community College District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2011

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure
U.S. Department of Education:				
Direct Programs:				
Financial Aid Cluster:				
	PELL	84.063		\$ 21,367,467
	SEOG	84.007		269,654
	Direct Loans	84.265		1,570,859
	Academic Competitiveness Grants	84.375	P375A101184	66,499
	Federal Work Study	84.033		387,271
		Sub-total		23,661,750
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A100052	56,612
	Career and Technical Education - National Programs	84.051		1,133,935
	Tech Prep, now CTE Transitions	84.051		73,186
		Sub-total		1,207,121
	Business & International Education Program	84.153	P153A100041	87,428
Passed through San Diego County:				
	VTEA	84.048		35,975
Passed through Sweetwater Union High School District:				
	Gear-Up	84.334		287,267
		Total U.S. Department of Education		25,336,153
U.S. Department of Defense:				
Direct Programs:				
	Procurement Technical Assistance	12.002	SP4800-11-2-1149	323,768
		Total U.S. Department of Defense		323,768
U.S. Department of Housing and Urban Development:				
Direct Programs:				
	Hispanic-Servicing Institutions Assisting Communities	14.514		194,198
Passed through City of San Diego:				
	Small Business Micro-Enterprise	14.218		74,513
	Fast Track	14.218		51,544
Passed through City of National City:				
	Economic Development Funds	14.218		26,244
		Sub-total		152,301
		Total U.S. Department of Housing and Urban Development		346,499
U.S. Department of Justice:				
Direct Programs:				
	Bulletproof Vest Partnership	16.525		1,629
		Total U.S. Department of Justice		1,629
U.S. Department of Labor:				
Passed through San Jose State University:				
	CA Statewide Biotechnology Clinical Laboratory Consortium Project	17.275	GJ-20049-10-60-A-6	39,641
		Total U.S. Department of Labor		39,641
National Science Foundation:				
Direct Programs:				
	Proposal Preparation Workshop for Two-Year College Chemistry	47.076	IIP-0900987	5,417
	Geospatial Technology (GST)	47.076		95,515
	STEM Talent Expansion Program (STEP)	47.076		87,395
	Biotechnology Education and Training Sequence Investment (BETSI) II	47.076		72,856
	Chemistry Collaborations, Workshop & Communities of Scholars	47.076	SP00010602-04	10,440
Passed through Sierra Medical, Inc.:				
	Synthesis of High Quality Antimony Electrodes	47.076		246
	Formulation and Infrared Characterization of Polymeric Coating	47.076		3,294
Passed through Delmar College:				
	National Geospatial Technology Center (NGTC)	47.076	DUE-0801893	38,233
Passed through Cabrillo College:				
	Bridging Community College Chemistry Faculty	47.076		1,348
		Total National Science Foundation		314,744
Small Business Administration:				
Direct Programs:				
	2010 US SBA Supplemental	59.037		511,545
	2010 US SBA Grant	59.037		109,252
	2011 US SBA Grant	59.037		161,956
		Total Small Business Administration		782,753
U.S. Department of Health & Human Services:				
Direct Programs:				
	Bridges to the Future	93.361		9,613
Passed through CA Community College Chancellor's Office				
	Temporary Assistance for Needy Families (TANF)	93.558		70,594
		Total U.S. Department of Health & Human Services		80,207
		Total expenditures of federal awards		\$ 27,225,394

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, 2011

1. REPORTING ENTITY

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

2. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Southwestern Community College District
Schedule of Findings and Questioned Costs
For the year ended June 30, 2011

Section I – Summary of Audit Results

Financial Statements

Types of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported

Federal Awards

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

Identification of major programs:

<u>Major Program</u>	<u>CFDA</u>	<u>Expenditures</u>
Financial Aid Cluster:		
PELL	84.063	\$ 21,367,467
Academic Competitiveness Grants	84.375	66,499
Federal Direct Student Loans	84.268	1,570,859
SEOG	84.007	269,654
Federal Work Study	84.033	387,271
	Total	23,661,750
Career and Technical Education - National Programs	84.051	1,133,935
Tech Prep, now CTE Transitions	84.051	73,186
	Total	1,207,121
Small Business Administration		
2010 US SBA Supplemental	59.037	511,545
2010 US SBA Grant	59.037	109,252
2011 US SBA Grant	59.037	161,956
	Total	782,753
Total Major Program Expenditures		\$ 25,651,624
Total Expenditures of Federal Awards		\$ 27,225,394
Percent of Total Expenditures of Federal Awards		94.22%

Dollar threshold used to distinguish between type A and type B program **\$816,762**

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

Southwestern Community College District
Schedule of Findings and Questioned Costs
For the year ended June 30, 2011

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, 2011.

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, 2010.

STATE COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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

We have audited the basic financial statements of the Southwestern Community College District (District) for the year ended June 30, 2011 and have issued our report thereon dated January 6, 2012.

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

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

421 - Salaries of Classroom Instructors (Fifty Percent Law)

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

423 - Apportionment for Instructional Service Agreements/Contracts

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

424 - State General Apportionment Required Data Elements

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

425 - Residency Determination for Credit Courses

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

426 - Students Actively Enrolled

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

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

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

The District claimed only the attendance of eligible K-12 pupils who took courses offered by the District under a concurrent enrollment arrangement.

431 - GANN Limit Calculation

The District met the requirements of the GANN Amendment which establishes maximum appropriation limits for public agencies.

432 - Enrollment Fee

The District reported the total amount the students should have paid for enrollment fees for purposes of determining each district's share of apportionments annually.

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 Fee - Instructional Materials and Health Fees

The District charges mandatory fees based on express statutory authority in accordance with §70902, §76355, and §76365 of the Education Code. During the year 2010 - 2011, no non-mandatory fees were charged.

473 - Economic and Workforce Development (EWD)

The District expended Economic and Workforce Development funds to develop and deliver services to meet the needs identified in regional economic development plans.

474 - Extended Opportunity Programs and Services (EOPS)

The District expended Extended Opportunity Programs and Services (EOPS) funds to provide services that are specifically designed to supplement the college's existing support programs and to help EOPS eligible 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 2010-11 to document eligible DSPS students served.

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

477 - Cooperative Agencies Resources for Education (CARE)

The District used funds provided by the State to provide educational support services and activities to eligible academically under-prepared, welfare-dependent, single head-of-household student population.

478 - Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs

The District provided eligible persons registration preference and information regarding benefits and services obtainable and ensured that eligible persons were informed of their rights and benefits.

479 - To Be Arranged Hours (TBA)

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

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

Our examination was conducted in accordance with attestation standards established by the American Institution of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied with the compliance requirements for the state programs listed and tested above, in all material respects with the aforementioned requirements for the year ended June 30, 2011.

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

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum, LLP
Certified Public Accountants
San Diego, California
January 6, 2012

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OTHER SUPPLEMENTARY INFORMATION

Southwestern Community College District
Other Supplementary Information
Purpose of Schedules
For the year ended June 30, 2011

PURPOSE OF SCHEDULES

Schedule of Workload Measures for Program-Based Funding

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

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

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

Southwestern Community College District
Schedule of Workload Measures for State General Apportionment
Annual Actual Attendance
June 30, 2011

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2010 only)			
1. Noncredit	15.15	-	15.15
2. Credit	14.52	-	14.52
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Noncredit	23.38	-	23.38
2. Credit	1,718.28	-	1,718.28
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,553.46	-	10,553.46
(b) Daily Census Contact Hours	1,269.52	-	1,269.52
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	451.55	-	451.55
(b) Credit	591.59	-	591.59
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	464.58	-	464.58
(b) Daily Census Contact Hours	842.49	-	842.49
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	15,944.52	-	15,944.52

Supplemental Information (subset of above information)

E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	36.94	-	36.94
(b) Credit	1,910.47	-	1,910.47

CCFS-320 Addendum

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

Southwestern Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311)
with Audited Financial Statements
For the year ended June 30, 2011

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
Fund balance per the CCFS-311 at June 30, 2011	\$ 15,594,094	\$ 5,249,402	\$ 161,656,995	\$ 162,072	\$ 1,911,086
Audit adjustments	-	-	-	-	-
Miscellaneous adjustments and reclassifications	(104)	-	-	141,001	-
Net adjustments and reclassifications	(104)	-	-	141,001	-
Fund balance per the audited fund financial statements at June 30, 2011	\$ 15,593,990	\$ 5,249,402	\$ 161,656,995	\$ 303,073	\$ 1,911,086

Bookstore	Cafeteria	ASO Student Clubs	Federal Financial Aid	Student Service Trust Funds	Bond Interest and Redemption	Self Insurance
					Fund	
\$ 2,502,279	\$ 188,119	\$ 741,791	\$ 157,181	\$ 5,301	\$ 14,637,699	\$ 468,174
-	-	-	-	-	-	-
2	-	-	-	1	-	-
2	-	-	-	1	-	-
\$ 2,502,281	\$ 188,119	\$ 741,790	\$ 157,181	\$ 5,302	\$ 14,637,699	\$ 468,174

Southwestern Community College District
Budget Comparison Schedule - General Fund
For the year ended June 30, 2011

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Federal	\$ 7,213,109	\$ 4,389,110	\$ (2,823,999)
State	61,067,275	63,947,377	2,880,102
Local	29,308,984	26,269,177	(3,039,807)
Total revenues	97,589,368	94,605,664	(2,983,704)
EXPENDITURES:			
Salaries	66,118,373	64,572,322	1,546,051
Employee benefits	15,555,339	15,350,176	205,163
Payments to students	820,730	747,711	73,019
Supplies, materials, and other expenses	15,256,245	9,688,779	5,567,466
Utilities	2,750,811	2,308,708	442,103
Total expenditures	100,501,498	92,667,696	7,833,802
REVENUES OVER (UNDER) EXPENDITURES	(2,912,130)	1,937,968	4,850,098
OTHER FINANCING SOURCES (USES):			
Transfers in	-	10,000	10,000
Transfers out	(213,000)	(331,842)	(118,842)
Total other financing sources (uses)	(213,000)	(321,842)	(108,842)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (3,125,130)	1,616,126	\$ 4,741,256
FUND EQUITY:			
Beginning of year		13,977,864	
End of year		\$ 15,593,990	