Financial Statements
June 30, 2021

Southwestern Community College District

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Schedule of Findings and Questioned Costs

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Trustees
Southwestern Community College District
Chula Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of Southwestern Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As discussed in Note 2 and Note 14 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position (deficit) as of July 1, 2020. Our opinions are not modified with respect to this matter.

Correction of Errors in Previously Issued Financial Statements

As discussed in Note 14 to the financial statements, the District's prior year governmental activities net position (deficit) has been restated as of July 1, 2020 to correct certain errors that were discovered during our audit of the current year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, and other required supplementary schedules on pages 61 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2022, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2022

Kelly Hall, Ph.D., MBA, CPA
Assistant Superintendent/Vice President, Business and Financial Affairs

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Southwestern Community College District (the "District") for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Southwestern Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and No. 35, Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities using the Business Type Activity (BTA) model. The California Community College Chancellor's Office (CCCCO), through its Fiscal Standards and Accountability Committee, recommended that all community college districts use the reporting standards under the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California community college districts, the District has adopted the BTA reporting model for its financial statements.

Prior year data is presented in Management's Discussion and Analysis to afford a comparative analysis of data.

Getting to Know Southwestern College

Located in the southern part of San Diego County, the Southwestern Community College District is a single-college district that serves the communities of Bonita, Chula Vista, Coronado, Imperial Beach, National City, Nestor, Otay Mesa, Palm City, San Ysidro, and Sunnyside. Residing next to two major U.S.-Mexico border crossings, the College also serves a large number of binational students which attributes to the College's "frontera" identity that imbues its mission to "prepare students to become critical thinkers and engaged lifelong learners/global citizens." Since Southwestern College (SWC) is the only public higher education institution in its service area, this unique location positions the College to play an important role in the intellectual growth and economic development for residents and industry in both the United States and Mexico.

Southwestern College is a Hispanic-Serving-Institution and one of the most diverse community colleges in the nation. With 89% non-white, Southwestern College also qualifies as an Asian American, Native American, Pacific Islander serving institution (AANAPISI). In recent years, Southwestern College has increased efforts to fulfill its mission by supporting services and instruction that meets the needs of the community's most vulnerable populations. The College District established a Restorative Justice Program that provides face-to-face instruction for incarcerated students at the Richard J. Donovan Correctional Facility and recently graduated its first students. The College District has College and Career Access Pathways (CCAP) agreements with both public school districts and a number of charter and private schools in its service area providing college courses to a large number of local high school students. The College District supports students' basic needs with the Jag Kitchen food pantry that serves students with hot meals and staple pantry goods at the Chula Vista, National City and San Ysidro campuses. Jag Kitchen has become the foundation for a larger SWC Cares hub that provides financial aid assistance, personal wellness and safety, legal, and immigration resources among other services.

900 Otay Lakes Road, Chula Vista, CA 91910-7299 • (619) 421-6700 • Fax (619) 482-6413 • TTY (619) 482-6470 • www.swccd.edu

Southwestern College History

The Southwestern Community College District, located south of San Diego and extending to the U.S.-Mexico border, is one of 72 community college districts in the California Community College system. It serves as the primary source of public higher education for approximately 400,000 residents of the South San Diego County area including the communities of Bonita, Chula Vista, Coronado, Imperial Beach, National City, Nestor, Otay Mesa, Palm City, San Ysidro and Sunnyside.

The College began offering classes to 1,657 students in 1961, with temporary quarters at Chula Vista High School. Groundbreaking for the present 156-acre Chula Vista campus was held in 1963; by September 1964, initial construction was completed and classes were being held at the new campus on the corner of Otay Lakes Road and H Street in Chula Vista.

In 1988, Southwestern College established its Higher Education Center at San Ysidro on the memorial site of the McDonalds tragedy. The College again expanded its off-campus locations in 1998 by establishing the Higher Education Center at National City. A new Higher Educational Center at Otay Mesa opened its doors in 2007 as a regional center for educational training and development. In 2009, a new state-of-the-art facility replaced the previous San Ysidro site to serve its students and the community.

In addition to its centers, Southwestern College also provides off-campus classes at several extension sites throughout the District and operates an Aquatic Center in Coronado in conjunction with the California Department of Boating and Waterways and the California Department of Parks and Recreation. Current enrollment—at all locations—exceeds 20,000 students. More than a half-million students have attended Southwestern College since its inception.

The Western Association of Schools and Colleges has continuously accredited SWC. The College offers a comprehensive curriculum, preparing students for transfer to four-year colleges or universities and for jobs and career advancement.

Commitment to Equity, Diversity, and Inclusion

Southwestern Community College District (SCCD) is committed to building a diverse and accessible environment that fosters intellectual and social advancement. All District programs and activities seek to affirm pluralism of beliefs and opinions, and diversity of gender, race, ethnicity, background, geography, economics, family status, ability status, sexual orientation, gender expression/identity, political inclination, religious affiliation, age, and neuro-diversity, including but not limited to Dyslexia, Attention Deficit Hyperactivity Disorder, Autistic Spectrum Disorder, and others. Diversity is encouraged and welcomed because SCCD recognizes that our differences, as well as our commonalities promote integrity and resilience in our evolving and changing communities. Southwestern Community College District is committed to promoting diversity district-wide through its student body, leadership, and employees. The District maintains a commitment to diversity through the recruitment and retention of students and employees that reflect the diversity of the communities in the District.

The Governing Board of SCCD is committed to equal employment opportunity and full recognition of the diversity of cultures, ethnicities, language groups and abilities that are represented in its surrounding communities and student body. The Board believes that diversity in the academic environment fosters cultural awareness, mutual understanding and respect, and suitable role models for all students.

Budgeting and Financial Management

Southwestern's budgeting and financial planning, processes, and oversight are guided by Board Policy and Administrative Procedures. The District is committed to a transparent and effective resource allocation process that is rooted in shared consultation and integrated with institutional planning, relies on its mission, strategic planning priorities, program review, and a realistic assessment of our financial assets and needs.

The state of California provides 90% of the District's unrestricted general fund revenues. The majority of state revenue is apportioned based on the Total Computational Revenues calculated under the Student Centered Funding Formula (SCFF). The amount of funds available for State apportionment each year is fixed. Therefore, the available revenue for any one district depends on what happens at each of the 73 community college districts in the state. The State's funding cycle is such that a district's final apportionment revenue for any fiscal year is unknown until approximately eight months after the fiscal year ends.

The public health emergency associated with the coronavirus disease 2019 (COVID-19) pandemic dominated 2020-21 budget projections. As expected, the health crisis resulted in enormous hardship for families, businesses, and governments at all levels. However, the actual magnitude of the downward economic shift was not as severe as projected in the 2020-21 state budget. The 2021-22 financial results reflect a correction to the overestimated deficit of the prior year along with the substantial recovery to the state's finances.

FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

- The District's primary funding source is from "State Apportionment Funding" received from the California Community Colleges Chancellor's Office (CCCO). This funding is one factor of the overall student centered funding formula for community colleges. The other two factors are student enrollment fees ($46 per unit) and local property taxes. The primary source of this apportionment is the calculation of Full-Time Equivalent Students (FTES), which was reported as 13,851 for the 2020-2021 fiscal year.

- The District's total combined net position was $(67,760,139) at June 30, 2021. This is a change from the total combined net position as of June 30, 2020, which reflected $(53,431,841).

- The District entered into a short term borrowing agreement (TRANS) to offset $14 Million in 2020-2021 payment deferrals. These funds are expected to be received fully in 2021-2022.

- During the 2020-2021 fiscal year, the District provided approximately $45.7 million in Federal and State financial aid to students.

- No cost-of-living adjustment (COLA) to apportionment nor growth funding was received for 2020-2021 fiscal year.

- At June30, 2021, the value of the District's Other Postemployment Benefits (OPEB) trust was $9.2 million, and the District's GASB Statement No. 75 OPEB liability is 31% funded based on the District's most recent actuarial valuation report.

- On March 19, 2020, the Governor of the state of California declared a "stay at home" order as a result of COVID 19. Southwestern pivoted over spring break to fully remote instructional modality and continued remote through 2020-2021 fiscal year.

- Under the Chancellor's Office COVID Emergency Conditions Allowance, the district was funded in 2020-2021 based on enrollment numbers at spring 2020 census.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) REPORTING STANDARDS

As required by the Governmental Accounting Standards Board (GASB) reporting standards, the annual report consists of three basic financial statements that provide information on the District as a whole:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the District as of the end of the fiscal year and is prepared using the full accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operation of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position availability and their availability for expenditure by the District.

The difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources (net position) is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which is stated at historical cost less accumulated depreciation.

The Net Position is divided into three major categories. The first category, net investment in capital assets, which is the equity amount in property, plant, and equipment owned by the District. The second category, restricted net position, which is equity that must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of. The final category unrestricted net position, which is available to the District for any lawful purpose of the District.

THE DISTRICT AS A WHOLE

The Statement of Net Position as of June 30, 2021 and 2020 are summarized below:

Table 1

	2021	2020, as restated	Change
Assets			
Cash and investments	$ 192,628,402	$ 145,389,303	$ 47,239,099
Receivables	32,401,587	13,884,477	18,517,110
Other current assets	1,564,814	1,169,439	395,375
Capital assets, net	462,801,465	426,696,376	36,105,089
Total assets	689,396,268	587,139,595	102,256,673
Deferred Outflows of Resources	65,516,010	40,495,172	25,020,838
Liabilities			
Accounts payable and accrued liabilities	50,024,111	33,358,412	16,665,699
Current portion of long-term liabilities	8,870,565	15,776,219	(6,905,654)
Noncurrent portion of long-term liabilities	750,451,378	619,283,754	131,167,624
Total liabilities	809,346,054	668,418,385	140,927,669
Deferred Inflows of Resources	13,326,363	12,648,223	678,140
Net Position (Deficit)			
Net investment in capital assets	44,776,604	59,421,698	(14,645,094)
Restricted	24,846,991	25,759,507	(912,516)
Unrestricted deficit	(139,096,650)	(138,613,046)	(483,604)
Total net position (deficit)	$ (69,473,055)	$ (53,431,841)	$ (16,041,214)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District; the operating and nonoperating expenses incurred, whether paid or not, by the District; and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

Generally, operating revenues, including tuition and fees and grants and contracts, non-capital, are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues earned and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

Operating Results for the Year

The Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2021 and 2020, are summarized and presented herein:

Table 2

	2021	2020, as restated	Change
Operating Revenues			
Tuition and fees, net	$ 6,896,467	$ 9,135,501	$ (2,239,034)
Grants and contracts, noncapital	41,638,980	20,138,184	21,500,796
Auxiliary sales and charges	3,425,832	3,730,105	(304,273)
Total operating revenues	51,961,279	33,003,790	18,957,489
Operating Expenses			
Salaries and benefits	132,881,148	130,905,153	1,975,995
Supplies, services, equipment, and maintenance and other operating	25,537,685	22,366,146	3,171,539
Student financial aid	47,376,229	43,630,279	3,745,950
Depreciation	17,493,131	14,865,438	2,627,693
Total operating expenses	223,288,193	211,767,016	11,521,177
Loss on operations	(171,326,914)	(178,763,226)	7,436,312
Nonoperating Revenues (Expenses)			
State apportionments	63,102,500	89,794,802	(26,692,302)
Property taxes	52,599,627	59,517,204	(6,917,577)
Student financial aid grants	43,520,614	29,892,586	13,628,028
State revenues	7,354,988	-	7,354,988
Net interest expense	(10,675,408)	(11,655,326)	979,918
Other nonoperating revenues	1,096,295	1,564,144	(467,849)
Total nonoperating revenue (expenses)	156,998,616	169,113,410	(12,114,794)
Change in net position (deficit)	$ (14,328,298)	$ (9,649,816)	$ (4,678,482)

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Table 3

Year ended June 30, 2021:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 56,790,954	$ 2,100,952	$ -	$ 7,079	$ -	$ 58,898,985
Academic support	22,513,344	1,154,438	-	1,010	-	23,668,792
Student services	16,727,920	522,250	-	-	-	17,250,170
Plant operations and maintenance	4,608,025	1,885,859	-	411	-	6,494,295
Instructional support services	23,388,795	4,902,608	-	225	-	28,291,628
Community services and economic development	4,293,584	3,474,237	-	428	-	7,768,249
Ancillary services and auxiliary operations	4,090,922	898,474	-	3,042	-	4,992,438
Physical property and related acquisitions	384,745	9,904,431	-	680,486	-	10,969,662
Student aid	82,859	1,755	47,376,229	-	-	47,460,843
Unallocated depreciation	-	-	-	-	17,493,131	17,493,131
Total	$132,881,148	$ 24,845,004	$ 47,376,229	$ 692,681	$ 17,493,131	$223,288,193

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and determine the need for external financing. The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for nonoperating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This deals with the cash used for the acquisition and construction of capital and related items. The fourth section provides information from investing activities and the amount of interest received. The fifth and final section reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

The Statement of Cash Flows for the year ended June 30, 2021 and 2020, are summarized and presented herein:

Table 4

	2021	2020, as restated	Change
Net Cash Flows from			
Operating activities	$ (155,933,574)	$ (155,543,670)	$ (389,904)
Noncapital financing activities	156,212,374	180,768,736	(24,556,362)
Capital financing activities	45,144,705	(86,658,842)	131,803,547
Investing activities	1,815,594	3,379,143	(1,563,549)
Net Increase (Decrease) in Cash	47,239,099	(58,054,633)	105,293,732
Cash, Beginning of Year	145,389,303	203,443,936	(58,054,633)
Cash, End of Year	$ 192,628,402	$ 145,389,303	$ 47,239,099

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

As of June 30, 2021, the District had $462.8 million in net capital assets. Total capital assets consist of land, buildings, and building improvements, construction in progress, vehicles and other equipment. Accumulated depreciation related to these assets is $113.8 million. Depreciation expense of $17.5 million was recorded for the fiscal year. Note 6 to the financial statements provides additional information on capital assets.

Table 5

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Land and construction in progress	$ 72,600,966	$ 52,874,965	$ (5,596,229)	$ 119,879,702
Buildings and improvements	438,043,589	5,553,228	-	443,596,817
Equipment and vehicles	12,360,395	766,256	-	13,126,651
Subtotal	523,004,950	59,194,449	(5,596,229)	576,603,170
Accumulated depreciation	(96,308,574)	(17,493,131)	-	(113,801,705)
Total	$ 426,696,376	$ 41,701,318	$ (5,596,229)	$ 462,801,465

Long-Term Liabilities Other than OPEB and Pensions

At June 30, 2021, the District had $608.4 million in outstanding long-term liabilities compared to $488.6 million at June 30, 2020. We present more detailed information regarding out long-term liabilities in Note 8 to the financial statements.

Table 6

	Balance Beginning of Year*	Additions	Deletions	Balance End of Year
General obligation bonds	$ 479,399,669	$ 327,365,380	$ (208,532,813)	$ 598,232,236
Lease revenue bonds	602,683	-	(106,921)	495,762
Other liabilities	8,626,213	2,387,840	(1,370,564)	9,643,489
Total long-term liabilities	$ 488,628,565	$ 329,753,220	$ (210,010,298)	$ 608,371,487
Amount due within one year				$ 8,870,565

*Beginning balance was restated. See Note 14 to the financial statements for additional information.

OPEB and Pension Liabilities

At June 30, 2021, the District has an aggregate other postemployment benefit liability (OPEB) of $14,048,889 compared to $17,220,791 at June 30, 2020, a net decrease of $3,171,902 or 18.4%.

At June 30, 2021, the District has an aggregate net pension liability of $136,901,567 compared to $129,210,617 at June 30, 2020, a net increase of $7,690,950 or 6.0%.

STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK

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 unrestricted general fund revenue budget for FY 2021-2022 is $119.4 million compared to FY 2020-2021 adopted budget of $103.1 million a 7.3% increase.

General unrestricted revenues consist of California State principal apportionment (including faculty hiring allocation and Proposition 30 Educational Protection Act) of $63.9 million, property taxes of $35.1 million, enrollment fees of $6.8 million, and $10.1 million in other revenue including lottery proceeds of $2.4 million and non-resident tuition of $1.1 million.

The District's FY 2021-2022 General Fund unrestricted budgeted expenses of $114.4 million compared to FY 2020- 2021 budgeted expenses of $110.8 million, represent a 3.2% increase.

Proposition R Bond construction funds that are separate from the General Fund have an expense budget of $25.5 million. Proposition Z construction Bond fund has an expense budget of $97.1 million including projects for the student and Landscape Nursery Technology.

The total District-wide expense budget for all funds in FY 2021-2022 is $317.4 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Southwestern Community College District, Office of Vice President of Business and Financial Affairs, Southwestern Community College District, 900 Otay Lakes Road, Chula Vista CA 91910.

Assets	
Cash and cash equivalents	$ 13,275,366
Investments	179,353,036
Accounts receivable	28,882,286
Student receivables	3,519,301
Prepaid expenses	10,968
Inventories	1,553,846
Capital assets	
Nondepreciable capital assets	119,879,702
Depreciable capital assets, net of depreciation	342,921,763
Total capital assets	462,801,465
Total assets	689,396,268
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	28,627,327
Deferred outflows of resources related to OPEB	8,388,544
Deferred outflows of resources related to pensions	28,500,139
Total deferred outflows of resources	65,516,010
Liabilities	
Accounts payable	12,505,260
Tax and revenue anticipation notes payable	14,500,000
Accrued interest payable	5,735,793
Unearned revenue	17,283,058
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	8,870,565
Long-term liabilities other than OPEB and pensions, due in more than one year	599,500,922
Aggregate net other postemployment benefits (OPEB) liability	14,048,889
Aggregate net pension liability	136,901,567
Total liabilities	809,346,054
Deferred Inflows of Resources	
Deferred inflows of resources related to debt refunding	663,157
Deferred inflows of resources related to OPEB	7,121,201
Deferred inflows of resources related to pensions	5,542,005
Total deferred inflows of resources	13,326,363
Net Position (Deficit)	
Net investment in capital assets	44,776,604
Restricted for	
Debt service	19,304,779
Capital projects	3,350,593
Educational programs	568,121
Other activities	1,623,498
Unrestricted deficit	(139,096,650)
Total Net Position (Deficit)	$ (69,473,055)

Operating Revenues	
Tuition and fees	$ 18,213,157
Less: Scholarship discounts and allowances	(11,316,690)
Net tuition and fees	6,896,467
Grants and contracts, noncapital	
Federal	17,993,183
State	23,530,735
Local	115,062
Total grants and contracts, noncapital	41,638,980
Auxiliary enterprise sales and charges	
Bookstore	1,573,852
Food service	152
Other enterprise	138,912
Total auxiliary enterprise sales and charges	1,712,916
Total operating revenues	50,248,363
Operating Expenses	
Salaries	87,448,986
Employee benefits	45,432,162
Supplies, materials, and other operating expenses and services	24,845,004
Student financial aid	47,376,229
Equipment, maintenance, and repairs	692,681
Depreciation	17,493,131
Total operating expenses	223,288,193
Operating Loss	(173,039,830)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	63,102,500
Local property taxes, levied for general purposes	32,678,549
Taxes levied for other specific purposes	19,921,078
Federal and State financial aid grants	43,520,614
State taxes and other revenues	7,354,988
Investment income	1,815,594
Interest expense on capital related debt	(12,728,898)
Investment income on capital asset-related debt, net	237,896
Other nonoperating revenue	1,096,295
Total nonoperating revenues (expenses)	156,998,616
Change In Net Position (Deficit)	(16,041,214)
Net Position (Deficit), Beginning of Year, as Restated	(53,431,841)
Net Position (Deficit), End of Year	$ (69,473,055)

Cash Flows from Operating Activities	
Tuition and fees	$ 6,501,171
Federal, state, and local grants and contracts, noncapital	35,221,452
Auxiliary enterprise sales and charges	1,712,916
Payments to or on behalf of employees	(123,386,078)
Payments to vendors for supplies and services	(28,606,806)
Payments to students for scholarships and grants	(47,376,229)
Net cash flows from operating activities	(155,933,574)
Cash Flows from Noncapital Financing Activities	
State apportionments	55,358,769
Federal and state financial aid grants	44,723,314
Property taxes - nondebt related	32,678,549
State taxes and other apportionments	7,354,988
Proceeds from issuance of tax revenue anticipation notes	14,500,000
Other nonoperating	1,596,754
Net cash flows from noncapital financing activities	156,212,374
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(54,940,527)
Proceeds from sale of capital debt	327,365,380
Property taxes - related to capital debt	19,921,078
Principal paid on capital debt	(199,880,086)
Interest paid on capital debt	(47,559,036)
Interest received on capital asset-related debt	237,896
Net cash flows from capital financing activities	45,144,705
Cash Flows from Investing Activities	
Interest received from investments	1,815,594
Change In Cash and Cash Equivalents	47,239,099
Cash and Cash Equivalents, Beginning of Year, as Restated	145,389,303
Cash and Cash Equivalents, End of Year	$ 192,628,402

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (173,039,830)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	17,493,131
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(7,370,060)
Student receivables	(957,940)
Inventories	(450,808)
Prepaid expenses	(10,968)
Deferred outflows of resources related to OPEB	(1,273,420)
Deferred outflows of resources related to pensions	1,443,788
Accounts payable	337,104
Unearned revenue	1,515,176
Compensated absences	(38,357)
Load banking	(459,210)
Supplemental employee retirement plan	1,514,843
Aggregate net OPEB liability	(3,171,902)
Aggregate net pension liability	7,690,950
Deferred inflows of resources related to OPEB	2,544,792
Deferred inflows of resources related to pensions	(1,700,863)
Total adjustments	17,106,256
Net cash flows from operating activities	$ (155,933,574)
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	$ 13,134,366
Cash with fiscal agent	141,000
Cash in county treasury	179,353,036
Total cash and cash equivalents	$ 192,628,402
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	$ 297,789
Amortization of deferred inflows of resources related to debt refunding	$ 165,789
Amortization of debt premiums	$ 8,759,648
Accretion of interest on capital appreciation bonds	$ 5,684,121

	Retiree OPEB Trust
Assets	
Investments	$ 7,205,860
Accounts receivable	2,000,000
Total assets	$ 9,205,860
Net Position	
Restricted for postemployment benefits other than pensions	$ 9,205,860

	Retiree OPEB Trust
Additions	
District contributions	$ 2,984,898
Net realized and unrealized gain	1,219,301
Total additions	4,204,199
Deductions	
Benefit payments	984,898
Administrative expenses	8,889
Total deductions	993,787
Change in Net Position	3,210,412
Net Position - Beginning of Year, as Restated	5,995,448
Net Position - End of Year	$ 9,205,860

Note 1 - Organization

Southwestern Community College District (the District) was established in 1961 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and three centers located within San Diego County, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The District has identified no component units that met the criteria listed above.

The District has analyzed the financial and accountability relationship with the Foundation for Southwestern College Foundation (the Foundation) in conjunction with the GASB Statement No. 61 criteria and it has been excluded from the District’s reporting entity. The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundation. The Board of Directors are elected by their own Board and independent of any District Board of Trustees appointments. The Board is responsible for approving its own budget, accounting, and finance related activities. Information on the Foundation may be requested through the Southwestern College Foundation.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District’s investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District sends outstanding receivables to the Chancellor's Office Tax Offset Program (COTOP) for collection and writes off the uncollected amounts annually, therefore the District does not record an allowance for uncollectible accounts.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Inventories

Inventories consist primarily of bookstore merchandise. Inventories are stated at cost, utilizing the weighted average method lower of cost or market. The cost is recorded as an expense as the inventory is consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 10 to 20 years; equipment/vehicles, 5 to 10 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

Compensated Absences and Load Banking

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. 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 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 recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred gains on refunding of debt, OPEB and pension related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The aggregate net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year, and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Tax and Revenue Anticipation Notes

The Tax and Revenue Anticipation Notes are current liabilities outstanding at June 30, 2021, and were issued as short-term obligations to provide cash flow needs. This liability is offset with future cash deposits from State general apportionment funding, which will be set aside with the Trustee to repay the notes.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, lease revenue bonds payable, compensated absences, load banking, supplemental employee retirement plan, aggregate net OPEB liability, and aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $24,846,991 of restricted net position, and the fiduciary funds financial statements report $9,205,860 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bond measures in 2000, 2008 and 2016 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bonds, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

Tuition and fee revenue is reported net of scholarships discount and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, and those difference could be material.

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB No. 84, *Fiduciary Activities.* The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements and this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's other trust funds from fiduciary to governmental. The effect of the implementation of this standard on beginning net position (deficit) is disclosed in Note 14.

Note 3 - Deposits and Investments

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District deposits substantially all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	$ 13,057,783	$ -
Cash in revolving	76,583	-
Cash with fiscal agent	141,000	-
Investments	179,353,036	7,205,860
Total deposits and investments	$ 192,628,402	$ 7,205,860

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Diego County Investment Pool and the Master Trust funds evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to interest rate risk and credit risk is provided by the following schedule that shows the distribution of the District's investment by maturity and credit rating:

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
Master Trust	$ 7,205,860	N/A	Not rated
County investment pool	179,353,036	613	AAAf/S1
Total	$ 186,558,896		

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Master Trust is not required to be rated, nor has it been rated as of June 30, 2021. The San Diego County Investment Pool was rated AAAf/S1 by Fitch Ratings, Inc.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of $12.6 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2021, the District's investment balance of approximately $7.2 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Fair Value	Fair Value Measurements Using Level 3 Inputs
Master Trust	$ 7,205,860	$ 7,205,860

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

The following table summarizes the District’s Level 3 reconciliation as of June 30, 2021:

	Level 3 Inputs
Investment at Fair Value	
Balance at July 1, 2020	$ 5,995,448
Interest and investment income	131,878
Net realized and unrealized gain	1,087,423
Administrative expenses	(8,889)
Balance at June 30, 2021	$ 7,205,860

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2021 consisted of the following:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 7,720,866	$ -
State Government		
Apportionment	11,265,966	-
Categorical aid	5,978,847	-
Lottery	1,045,364	-
Local Sources		
District contribution	-	2,000,000
Interest	274,500	-
Other local sources	2,596,743	-
Total	$ 28,882,286	$ 2,000,000
Student receivables	$ 3,519,301	$ -

Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Capital Assets Not Being Depreciated				
Land	$ 9,703,148	$ -	$ -	$ 9,703,148
Construction in progress	62,897,818	52,874,965	(5,596,229)	110,176,554
Total capital assets not being depreciated	72,600,966	52,874,965	(5,596,229)	119,879,702
Capital Assets Being Depreciated				
Buildings and improvements	356,666,961	21,546	-	356,688,507
Land improvements	81,376,628	5,531,682	-	86,908,310
Furniture and equipment	12,360,395	766,256	-	13,126,651
Total capital assets being depreciated	450,403,984	6,319,484	-	456,723,468
Total capital assets	523,004,950	59,194,449	(5,596,229)	576,603,170
Less Accumulated Depreciation				
Buildings and improvements	(56,002,804)	(11,207,715)	-	(67,210,519)
Land improvements	(32,511,758)	(4,864,893)	-	(37,376,651)
Furniture and equipment	(7,794,012)	(1,420,523)	-	(9,214,535)
Total accumulated depreciation	(96,308,574)	(17,493,131)	-	(113,801,705)
Net capital assets	$ 426,696,376	$ 41,701,318	$ (5,596,229)	$ 462,801,465

Note 7 - Tax and Revenue Anticipation Notes (TRANs)

At June 30, 2021, the District had outstanding Tax and Revenue Anticipation Notes (TRANs) in the amount of $14,500,000, which matures on January 31, 2022. The notes were issued bearing interest at 2.00%. The notes were issued to supplement cash flows and will be repaid from future general apportionment revenues.

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
2021 Series B, 2.0% TRANS	$ -	$ 14,500,000	$ -	$ 14,500,000

Note 8 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

	Balance, Beginning of Year as restated	Additions	Deductions	Balance, End of Year	Due in One Year
General obligation bonds	$ 449,423,721	$ 314,184,121	$ (199,775,086)	$ 563,832,756	$ 7,405,000
Bond premium	29,975,948	13,181,259	(8,757,727)	34,399,480	-
Lease revenue bonds	595,000	-	(105,000)	490,000	115,000
Bond premium	7,683	-	(1,921)	5,762	-
Compensated absences	4,003,028	-	(38,357)	3,964,671	-
Load banking	2,004,194	-	(459,210)	1,544,984	-
Supplemental employee retirement plan	2,618,991	2,387,840	(872,997)	4,133,834	1,350,565
Total	$ 488,628,565	$ 329,753,220	$ (210,010,298)	$ 608,371,487	$ 8,870,565

Description of Long-Term Liabilities

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Lease revenue bond payments are made by the General Fund. The compensated absences and load banking liability will be paid by the fund for which the employee worked. The supplemental employee retirement plan will be paid by the General Fund.

General Obligation Bonds

On September 29, 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 2.50% to 5.00%. Principal is payable August 1, commencing August 1, 2024 and through the maturity date August 1, 2029.

On June 2, 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. These bonds were partially refunded with the issuance of the District's 2020 General Obligation Refunding Bonds. Interest on the remaining Series C bonds is payable February 1 and August 1, commencing August 1, 2011 at rates ranging from 5.00% to 7.30%. Principal is payable August 1, commencing August 1, 2011 and through the maturity date of August 1, 2046.

On June 15, 2015, the District authorized the sale and issuance of 2008 General Obligation Bonds, Series D in the amount of $121,649,331. The District issued $79,525,000 in current interest bonds and $42,124,331 in capital appreciation bonds. Proceeds from the sale of the bonds are used to finance the construction and renovation of classrooms and other college facilities throughout the District. A portion of these bonds was refunded by the issuance of the District's 2021 General Obligation Refunding Bonds. Interest rates on the remaining bonds range from 2.59% to 2.89% payable semiannually on August 1 and February 1. The remaining bonds mature through August 1, 2021. Prior to the applicable maturity date, each bond will accrete interest on the principal component.

On December 3, 2014, the District authorized the sale and issuance of 2015 General Obligation Refunding Bonds, in the amount of $27,045,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's 2005 General Obligation Bonds, Election of 2000, Series 2005. Interest is payable February 1 and August 1, commencing August 1, 2015 at 5.00%. Principal is payable August 1, commencing August 1, 2015 and through the maturity date August 1, 2025. The refunding resulted in an economic gain of $3,247,455 based on the difference between the present value of the existing debt service requirements and the new debt service requirements.

On August 17, 2016, the District authorized the sale and issuance of the 2016 General Obligation Refunding Bonds Series A and B, in the amounts of $3,400,000 and $84,335,000, respectively. Proceeds from the sale of the bonds were used to advance refund the remaining balances of the District's Election of 2008 General Obligation Bonds, Series A and B and to pay costs of issuing the bonds. Interest is payable February 1 and August 1, commencing February 1, 2017 at interest rates ranging from 3.00% to 5.00%. Principal is payable August 1, commencing August 1, 2020 and August 1, 2022 for Series A and B, respectively, and through the maturity dates of August 1, 2021 and August 1, 2039 for Series A and B, respectively. The refunding resulted in an economic gain of $13,147,462 based on the difference between the present value of the existing debt service requirements and the new debt service requirements.

On November 7, 2017, the District authorized the sale and issuance of the 2016 General Obligation Bonds, Series A of current interest bonds in the amount of $140,000,000. Proceeds from the sale of the bonds are to be finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuing the bonds. Interest rates range from 3.00% to 5.00% and is payable semi-annually on August 1 and February 1. The bonds mature August 1, 2047.

On July 22, 2020, the District authorized the sale and issuance of the 2008 General Obligation Bonds, Series 2020E-1(federally taxable) and 2020E-2 (tax-exempt) of current interest bonds in the amount of $1,860,000 and $23,140,000, respectively. Proceeds from the sale of the bonds are to be finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuing the bonds. Series 2020E-1 matured on October 1, 2020 with an interest rate of 0.25% payable on the date of maturity. Interest rates for Series 2020E-2 range from 3.00% to 4.00% and is payable semi-annually on August 1 and February 1. The bonds mature August 1, 2039.

On July 22, 2020, the District authorized the sale and issuance of the 2016 General Obligation Bonds, Series 2020B-1 (federally taxable) and 2020B-2 (tax-exempt) of current interest bonds in the amount of $1,485,000 and $28,515,000, respectively. Proceeds from the sale of the bonds are to be finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuing the bonds. Series 2020B-1 matured on October 1, 2020 with an interest rate of 0.25% payable on the date of maturity. Interest rates for Series 2020B-2 range from 3.00% to 4.00% and is payable semi-annually on August 1 and February 1. The bonds mature August 1, 2040.

On July 22, 2020, the District authorized the sale and issuance of the 2020 General Obligation Refunding Bonds in the amounts of $56,530,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's Election of 2008 General Obligation Bonds, Series C and to pay costs of issuing the bonds. Interest is payable February 1 and August 1 at interest rates ranging from 0.37% to 2.63%. The bonds mature through August 1, 2040. The refunding resulted in an economic gain of $15,310,685 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.24%.

On March 9, 2021, the District authorized the sale and issuance of the 2016 General Obligation Bonds, Series 2021C of current interest bonds in the amount of $46,000,000. Proceeds from the sale of the bonds are to be finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuing the bonds. Interest rates range from 2.37% to 4.00% and is payable semi-annually on August 1 and February 1. The bonds mature August 1, 2046.

On March 9, 2021, the District authorized the sale and issuance of the 2021 General Obligation Refunding Bonds in the amounts of $150,970,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's Election of 2008 General Obligation Bonds, Series D and to pay costs of issuing the bonds. Interest is payable February 1 and August 1 at interest rates ranging from 0.26% to 3.12%. The bonds mature through August 1, 2044. The refunding resulted in an economic gain of $16,848,862 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.80%.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2004	8/1/29	2.50% - 5.00%	$ 49,353,974	$ 28,966,262		$ 1,557,781	$ -	$ 30,524,043
2011	8/1/46	5.00% - 7.30%	68,730,371	73,876,350	-	1,420,549	(54,020,000)	21,276,899
2015	8/1/21	2.59% - 2.89%	121,649,331	125,486,109	-	2,705,791	(127,560,086)	631,814
2014	8/1/25	5.00%	27,045,000	18,810,000	-	-	(2,460,000)	16,350,000
2016	8/1/21	3.00%	3,400,000	3,400,000	-	-	(1,600,000)	1,800,000
2016	8/1/39	3.00% - 5.00%	84,335,000	84,335,000		-	-	84,335,000
2017	8/1/47	3.00% - 5.00%	140,000,000	114,550,000	-	-	(10,790,000)	103,760,000
2020	8/1/39	0.25% - 4.00%	25,000,000	-	25,000,000	-	(1,860,000)	23,140,000
2020	8/1/40	0.25% - 4.00%	30,000,000	-	30,000,000	-	(1,485,000)	28,515,000
2020	8/1/40	0.37% - 2.63%	56,530,000	-	56,530,000	-	-	56,530,000
2021	8/1/46	2.37% - 4.00%	46,000,000	-	46,000,000	-	-	46,000,000
2021	8/1/44	0.26% - 3.12%	150,970,000	-	150,970,000	-	-	150,970,000
				$ 449,423,721	$ 308,500,000	$ 5,684,121	$ (199,775,086)	$ 563,832,756

Debt Service Requirement to Maturity

The current interest bonds mature through August 1, 2047 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	$ 6,110,000	$ 15,973,570	$ 22,083,570
2023	16,320,000	15,764,640	32,084,640
2024	11,500,000	16,021,758	27,521,758
2025	7,195,000	15,196,049	22,391,049
2026	10,995,000	15,436,682	26,431,682
2027-2031	58,675,000	69,948,479	128,623,479
2032-2036	104,120,000	57,561,023	161,681,023
2037-2041	151,660,000	36,294,712	187,954,712
2042-2046	120,305,000	13,841,377	134,146,377
2047-2048	24,520,000	879,156	25,399,156
Total	$ 511,400,000	$ 256,917,446	$ 768,317,446

The capital appreciation bonds mature through August 1, 2046 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2022	$ 1,286,814	$ 8,186	$ 16,375	$ 1,311,375
2023	-	-	-	-
2024	-	-	-	-
2025	3,274,312	635,688	-	3,910,000
2026	3,312,362	862,639	-	4,175,001
2027-2031	23,937,369	10,412,631	-	34,350,000
2032-2036	-	-	-	-
2037-2041	952,282	3,067,718	-	4,020,000
2042-2046	16,780,700	80,119,300	-	96,900,000
2047	2,888,917	15,091,083	-	17,980,000
Total	$ 52,432,756	$ 110,197,245	$ 16,375	$ 162,646,376

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 3.00% to 4.00%.

The lease revenue bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 115,000	$ 15,931	$ 130,931
2023	115,000	11,834	126,834
2024	260,000	4,875	264,875
Total	$ 490,000	$ 32,640	$ 522,640

Supplemental Employee Retirement Plan

The District has entered into various agreements to provide a Supplementary Employee Retirement Plan (SERP) to provide certain benefits to qualifying employees. The District will pay $4,133,834 on behalf of the retirees through 2026 in accordance with the following schedule:

Year Ending June 30,	2019 Plan	2021 Plan	Total
2022	$ 872,997	$ 477,568	$ 1,350,565
2023	872,997	477,568	1,350,565
2024	-	477,568	477,568
2025	-	477,568	477,568
2026	-	477,568	477,568
Total	$ 1,745,994	$ 2,387,840	$ 4,133,834

Note 9 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the year ended June 30, 2021, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 13,469,323	$ 8,388,544	$ 7,121,201	$ (2,033,220)
Medicare Premium Payment (MPP) Program	579,566	-	-	132,690
Total	$ 14,048,889	$ 8,388,544	$ 7,121,201	$ (1,900,530)

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Retiree Health Benefit Program Trust.

Plan Membership

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	197
Active employees	557
Total	754

Southwestern Community College District Retiree Health Benefit Program Trust

Southwestern Community College District Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical, dental and Part B insurance benefits to eligible retirees and their spouses. For faculty members to be eligible for the benefits, employee must be at least age 55 and 15 years of eligible service. For classified members to be eligible for the benefits, employee must be at least age 50 and 15 years of eligible service. For management members to be eligible for the benefits, employee must be at least age 55 and 10 years of eligible service. Spouses of retirees may continue coverage with the District by paying the full incremental cost of coverage. Surviving spouses are eligible for COBRA coverage. Faculty and Management retirees are eligible for dental benefits after meeting the eligibility requirements above subject to District explicit subsidy caps. Management retirees hired prior to January 1, 2004 are eligible for Medicare Part B premium subsidies after meeting the eligibility requirements above. Same benefits are available to retirees as active employees. Monthly premium rates for medical and dental fluctuate annually based on District negotiation.

Retirees are responsible for the portion not covered by the District’s explicit subsidy. For faculty members, the District pays 50% of the cost of retiree only coverage for life, and not less than $1,000 per year. For classified members, pre-65 benefits: the District pays the full cost of retiree only coverage and post-65 benefits: the District pays a maximum of $1,000 per year. For management members, pre-65 benefits: the District pays the full cost of retiree only coverage and post-65 benefits: employees hired prior to 1/1/2004: the District pays the full cost of retiree only coverage, or employees hired on or after 1/1/2004: the District pays a maximum $1,000 per year.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District governing board. For the measurement period of June 30, 2020, the District paid $990,669 in benefits.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2020:

Asset Class	Target Allocation
U.S. Large Cap	60%
U.S. Small Cap	15%
Long-Term Corporate Bonds	20%
Short-Term Government Fixed	5%

Rate of Return

For the year ended June 30, 2020, the annual money-weighed rate of return on investments, net of investment expense, was 10.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $13,469,323 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	$ 19,464,771
Plan fiduciary net position	(5,995,448)
Net OPEB liability	$ 13,469,323
Plan fiduciary net position as a percentage of the total OPEB liability	30.80%

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%
Discount rate	4.69%
Investment rate of return	7.00%
Healthcare cost trend rates	5.75%

The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of bond indices, including Bond Buyer Go 20-Bond Municipal Bond Index, S&P Municipal Bond 20-Year High Grade Rate Index, and Fidelity 20-Year Go Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 4.69%. The Trust is expected to be depleted by 2046 based on the current funding strategy.

The mortality table has been updated from the 2009 CalSTRS and 2014 CalPERS Mortality to the following:

- Classified and Management employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019.
- Faculty employees and retirees: SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2019.
- Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study as of July 1, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. Large Cap	7.80%
U.S. Small Cap	7.80%
Long-Term Corporate Bonds	5.30%
Short-Term Government Fixed	3.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 4.69%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	$ 22,220,667	$ 5,446,752	$ 16,773,915
Service cost	803,334	-	803,334
Interest	932,895	-	932,895
Difference between expected and actual experience	(2,214,040)	-	(2,214,040)
Contributions - employer	-	1,290,669	(1,290,669)
Expected investment income	-	257,130	(257,130)
Changes of assumptions	(1,287,416)	-	(1,287,416)
Benefit payments	(990,669)	(990,669)	-
Administrative expense	-	(8,434)	8,434
Net change in total OPEB liability	(2,755,896)	548,696	(3,304,592)
Balance, June 30, 2020	$ 19,464,771	$ 5,995,448	$ 13,469,323

There were no changes in benefit terms. Changes of economic assumptions reflect a change in the discount rate from 4.14% to 4.69% since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (3.69%)	$ 15,910,414
Current discount rate (4.69%)	13,469,323
1% increase (5.69%)	11,425,545

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percent lower or higher than the current health care cost trend rate:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (4.75%)	$ 11,138,685
Current healthcare cost trend rate (5.75%)	13,469,323
1% increase (6.75%)	16,362,079

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 3,029,122	$ -
Differences between expected and actual experience	-	5,976,831
Changes of assumptions	5,272,019	1,144,370
Net difference between projected and actual earnings on OPEB plan investments	87,403	-
Total	$ 8,388,544	$ 7,121,201

The deferred outflows of resources related to OPEB resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 12,799
2023	12,799
2024	34,969
2025	26,836
Total	$ 87,403

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 9.4 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (70,255)
2023	(70,255)
2024	(70,255)
2025	(70,255)
2026	(70,255)
Thereafter	(1,497,907)
Total	$ (1,849,182)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of $579,566 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.1368% and 0.1374%, respectively, resulting in a net decrease in the proportionate share of 0.0006%.

For the year ended June 30, 2021, the District recognized OPEB expense of $132,690.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	$ 640,872
Current discount rate (2.21%)	579,566
1% increase (3.21%)	527,400

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare cost trend rate, as well as what the net pension liability would be if it were calculated using a Medicare cost trend rate that is one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	$ 525,513
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	579,566
1% increase (5.5% Part A and 6.4% Part B)	641,792

Note 10 - Risk Management

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for property with coverages of $250,250,000, subject to various policy limits ranging from $500 to $25 million and deductible of $500 per occurrence. The District also purchases commercial insurance for general liability claims with coverages of $50 million, subject to various policy limits ranging from $50,000 to $10 million and deductibles ranging from $5,000 to $10,000 per occurrence.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2021, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2020-2021, the District participated in the Protected Insurance Program for Schools Joint Powers Authority (PIPS). PIPS is a self-insurance pool that provides workers' compensation protection to its membership of public schools and community colleges throughout California. It is the first program to provide "first dollar" protection, while incorporating both risk retention and risk transfer to achieve maximum efficiency in the cost of risk. PIPS was created to provide an alternative for workers' compensation coverage normally provided utilizing traditional self-insurance, guaranteed cost, high deductible, or other available programs. PIPS provides comprehensive member services as well as state regulatory compliance on behalf of the reinsurers that underwrite the program. The JPA structure provides participating member agencies, and the Board of Directors, with a great deal of latitude in how services are to be delivered and how the liabilities will be financed. Through a combination of risk transfer to reinsurers and risk retention by its self-insured members, each year's structure strives to combine high probability level funding in the primary layers with catastrophic protection up to at least $155,000,000 per occurrence.

Note 11 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 76,060,613	$ 17,519,005	$ 3,545,362	$ 9,707,102
CalPERS	60,840,954	10,981,134	1,996,643	11,674,691
Total	$ 136,901,567	$ 28,500,139	$ 5,542,005	$ 21,381,793

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were $7,461,027.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 76,060,613
State's proportionate share of net pension liability associated with the District	39,209,255
Total	$ 115,269,868

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0785% and 0.0777%, respectively, resulting in a net increase in the proportionate share of 0.0008%.

For the year ended June 30, 2021, the District recognized pension expense of $9,707,102. In addition, the District recognized pension expense and revenue of $5,492,832 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,461,027	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	700,016	1,400,321
Differences between projected and actual earnings on pension plan investments	1,806,763	-
Differences between expected and actual experience in the measurement of the total pension liability	134,212	2,145,041
Changes of assumptions	7,416,987	-
Total	$ 17,519,005	$ 3,545,362

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (1,102,475)
2023	615,597
2024	1,228,185
2025	1,065,456
Total	$ 1,806,763

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 1,437,501
2023	1,311,607
2024	2,146,766
2025	(139,551)
2026	(128,758)
Thereafter	78,288
Total	$ 4,705,853

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	4.8%
Private equity	13.0%	6.3%
Real estate	15.0%	3.6%
Inflation sensitive	6.0%	3.3%
Fixed income	12.0%	1.3%
Risk mitigating strategies	10.0%	1.8%
Cash/liquidity	2.0%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 114,916,992
Current discount rate (7.10%)	76,060,613
1% increase (8.10%)	43,979,201

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the total District contributions were $6,467,379.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $60,840,954. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.1983% and 0.2016%, respectively, resulting in a net decrease in the proportionate share of 0.0033%.

For the year ended June 30, 2021, the District recognized pension expense of $11,674,691. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,467,379	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,609	1,996,643
Differences between projected and actual earnings on pension plan investments	1,266,515	-
Differences between expected and actual experience in the measurement of the total pension liability	3,017,525	-
Changes of assumptions	223,106	-
Total	$ 10,981,134	$ 1,996,643

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (473,956)
2023	422,752
2024	734,814
2025	582,905
Total	$ 1,266,515

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ 1,396,020
2023	254,392
2024	(357,290)
2025	(42,525)
Total	$ 1,250,597

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 87,469,966
Current discount rate (7.15%)	60,840,954
1% increase (8.15%)	38,740,210

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to $4,437,324 (10.328%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 12 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Statewide Association of Community Colleges (SWACC), Retiree Health Benefit Program Joint Powers Authority (JPA), and the Protected Insurance Program for Schools (PIPS) Joint Powers Authority (JPA). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has appointed one Board members to the Governing Board of SWACC.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

Note 13 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had approximately $268.3 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 14 - Restatement of Prior Year Net Position (Deficit)

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. In addition, the District's prior year governmental activities net position (deficit) has been restated as of July 1, 2020 to correct errors reported in the prior year financial statements relating to general obligation bonds, supplemental employee retirement plan and the student financial aid fund. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position (Deficit) - Beginning	$ (17,617,877)
Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	1,697,064
Understatement of general obligation bonds	(34,300,052)
Understatement of supplemental employee retirement plan	(2,618,991)
Overstatement of student financial aid fund balance	(591,985)
Net Position (Deficit) - Beginning, as Restated	$ (53,431,841)

Fiduciary Funds	
Net Position (Deficit) - Beginning	$ 486,765
Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	(486,765)
Inclusion of retiree OPEB trust	5,995,448
Net Position (Deficit) - Beginning, as Restated	$ 5,995,448

Certain reclassifications of amounts previously reported have been made to the Management Discussion and Analysis and the Statement of Cash Flows to maintain consistency between periods presented.

Note 15 - Subsequent Events

On October 20, 2021, the District issued $73,620,000 Election of 2008 General Obligation Bonds, Series 2021F current interest bonds. The bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuance of the bonds. The bonds interest payments are due semiannually on February 1 and August 1 of each year, commencing February 1, 2022 with interest rates ranging from 1.00% to 4.00%.

On October 20, 2021, the District issued $184,000,000 Election of 2016 General Obligation Bonds, Series 2021D current interest bonds. The District issued $8,630,000 in federally taxable bonds bearing an interest rate of 0.15% and a maturity date of February 1, 2022. In addition, the District issued $175,370,000 in tax exempt bonds. The bonds interest payments are due semiannually on February 1 and August 1 of each year, commencing February 1, 2022 with interest rates ranging from 3.00% to 4.00%. The bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuance of the bonds.

Required Supplementary Information
June 30, 2021

Southwestern Community College District

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 803,334	$ 793,547	$ 803,347	$ 781,846
Interest	932,895	1,068,759	793,810	1,103,513
Difference between expected and actual experience	(2,214,040)	(5,010,993)	-	-
Changes of assumptions	(1,287,416)	2,348,340	5,148,527	-
Benefit payments	(990,669)	(940,706)	(846,834)	(838,883)
Net change in total OPEB liability	(2,755,896)	(1,741,053)	5,898,850	1,046,476
Total OPEB Liability - Beginning	22,220,667	23,961,720	18,062,870	17,016,394
Total OPEB Liability - Ending (a)	$ 19,464,771	$ 22,220,667	$ 23,961,720	$ 18,062,870
Plan Fiduciary Net Position				
Contributions - employer	$ 1,290,669	$ 1,574,788	$ 846,834	$ 1,180,577
Expected investment income	257,130	297,375	296,861	345,663
Benefit payments	(990,669)	(940,706)	(846,834)	(838,883)
Administrative expense	(8,434)	(4,635)	(4,488)	(500)
Net change in plan fiduciary net position	548,696	926,822	292,373	686,857
Plan Fiduciary Net Position - Beginning	5,446,752	4,519,930	4,227,557	3,540,700
Plan Fiduciary Net Position - Ending (b)	$ 5,995,448	$ 5,446,752	$ 4,519,930	$ 4,227,557
Net OPEB Liability - Ending (a) - (b)	$ 13,469,323	$ 16,773,915	$ 19,441,790	$ 13,835,313
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.80%	24.51%	18.86%	23.40%
Covered Employee Payroll	$ 59,568,992	$ 57,833,973	N/A[1]	N/A[1]
Net OPEB Liability as a Percentage of Covered Employee Payroll	22.61%	29.00%	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[1] This information was not available for 2019 and 2018 fiscal years.

Note: In the future, as data becomes available, ten years of information will be presented.

	2021	2020
Actuarially determined contribution	$ 2,211,317	$ 2,415,840
Contribution in relation to the actuarially determined contribution	(3,290,669)	(1,574,788)
Contribution deficiency (excess)	$ 5,501,986	$ 3,990,628
Covered payroll	$ 59,568,992	$ 57,833,973
Contributions as a percentage of covered payroll	5.52%	2.72%

Note: In the future, as data becomes available, ten years of information will be presented.

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	10.07%	20.45%	6.96%	19.40%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Note: In the future, as data becomes available, ten years of information will be presented.

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1368%	0.1374%	0.1341%	0.1335%
Proportionate share of the net OPEB liability	$ 579,566	$ 511,595	$ 513,335	$ 561,500
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

	2021	2020	2019	2018
CalSTRS				
Proportion of the net pension liability	0.0785%	0.0777%	0.0750%	0.0740%
Proportionate share of the net pension liability	$ 76,060,613	$ 70,446,480	$ 68,930,250	$ 68,434,460
State's proportionate share of the net pension liability associated with the District	39,209,255	38,264,992	39,317,337	40,332,733
Total	$ 115,269,868	$ 108,711,472	$ 108,247,587	$ 108,767,193
Covered payroll	$ 45,506,865	$ 43,904,504	$ 41,966,316	$ 39,727,305
Proportionate share of the net pension liability as a percentage of its covered payroll	167.14%	160.45%	164.25%	172.26%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.1983%	0.2016%	0.2000%	0.2100%
Proportionate share of the net pension liability	$ 60,840,954	$ 58,764,137	$ 53,342,294	$ 47,979,230
Covered payroll	$ 28,879,071	$ 28,504,767	$ 26,109,642	$ 24,659,008
Proportionate share of the net pension liability as a percentage of its covered payroll	210.67%	206.16%	204.30%	194.57%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Note: In the future, as data becomes available, ten years of information will be presented.

	2017	2016	2015
CalSTRS			
Proportion of the net pension liability	0.0779%	0.0800%	0.0800%
Proportionate share of the net pension liability	$ 62,982,608	$ 53,859,200	$ 46,749,600
State's proportionate share of the net pension liability associated with the District	35,744,266	30,526,430	28,057,002
Total	$ 98,726,874	$ 84,385,630	$ 74,806,602
Covered payroll	$ 41,049,196	$ 39,853,588	$ 35,763,671
Proportionate share of the net pension liability as a percentage of its covered payroll	153.43%	135.14%	130.72%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	0.1985%	0.2090%	0.2090%
Proportionate share of the net pension liability	$ 39,193,398	$ 30,806,804	$ 23,828,761
Covered payroll	$ 24,713,187	$ 23,993,385	$ 22,245,705
Proportionate share of the net pension liability as a percentage of its covered payroll	158.59%	128.40%	107.12%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

Note: In the future, as data becomes available, ten years of information will be presented.

	2021	2020	2019	2018
CalSTRS				
Contractually required contribution	$ 7,461,027	$ 7,766,966	$ 7,178,963	$ 6,055,739
Contributions in relation to the contractually required contribution	(7,461,027)	(7,766,966)	(7,178,963)	(6,055,739)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 46,198,310	$ 45,506,865	$ 43,904,504	$ 41,966,316
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%
CalPERS				
Contractually required contribution	$ 6,467,379	$ 5,650,990	$ 5,119,561	$ 4,055,088
Contributions in relation to the contractually required contribution	(6,467,379)	(5,650,990)	(5,119,561)	(4,055,088)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 31,243,377	$ 28,879,071	$ 28,504,767	$ 26,109,642
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%

Note : In the future, as data becomes available, ten years of information will be presented.

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 4,997,695	$ 4,510,356	$ 3,539,234
Contributions in relation to the contractually required contribution	(4,997,695)	(4,510,356)	(3,539,234)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 39,727,305	$ 41,049,196	$ 39,853,588
Contributions as a percentage of covered payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 3,424,643	$ 2,824,088	$ 2,824,261
Contributions in relation to the contractually required contribution	(3,424,643)	(2,824,088)	(2,824,261)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 24,659,008	$ 24,713,187	$ 23,993,385
Contributions as a percentage of covered payroll	13.888%	11.847%	11.771%

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuation.
- *Changes in Assumptions* – The discount rate was changed from 4.14% to 4.69% since the previous valuation.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, 2019, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value of assets
Inflation	2.75% per year
Health care cost trend rates	5.75% in 2021 grading down to 4.50% by 2026
Salary increases	3.00%, per year
Investment rate of return	7.00%
Retirement age	Based on the most recent CalPERS actuarial valuation
Mortality	SOA Pub-2010 Headcount Weighted Mortality Tables fully generational using Scale MP-2019

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes in Assumptions* - The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes in Assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of the District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2021

Southwestern Community College District

Southwestern Community College District was established in 1961 and 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 were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

Board of Trustees as of June 30, 2021

Member	Office	Term Expires
Leticia Cazares	President	2022
Robert Alcantar	Vice President	2024
Griselda A. Delgado	Member	2024
Kirin Macapugay	Member	2022
Don Dumas	Member	2022

Administration as of June 30, 2021

Mark Sanchez, Ed.D.	Superintendent/President
Minou Djawdan Spradley, Ph.D.	Vice President of Academic Affairs
Kelly Hall, Ph.D.	Vice President of Business and Financial Affairs
Tina King, Ed.D.	Vice President of Student Affairs
Janene McIntyre, J.D.	Vice President of Human Resources
Vacant	Chief Information Services Officer

Auxiliary Organizations in Good Standing

Southwestern College Foundation, established 1982
Master Agreement revised/established April 17, 2015
Sofia Salgado-Robitaille, Executive Director

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$ 27,872,989	$ -
Federal Pell Grant Program Administrative Allowance	84.063		33,360	-
Federal Direct Student Loans	84.268		526,515	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		823,961	-
FSEOG Administrative Allowance	84.007		40,750	-
Federal Work-Study Program	84.033		160,152	-
Subtotal Student Financial Assistance Cluster			29,457,727	-
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		8,633,806	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		6,667,433	-
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		1,747,909	-
Subtotal			17,049,148	-
Child Care Access Means Parents in School (CCAMPIS)	84.335		126,947	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	20-C01-063	1,226,364	-
Title I, CTEA Transitions	84.048A	20-C01-063	817	-
Subtotal			1,227,181	-
Passed through State of California Department of Rehabilitation				
State Vocational Rehabilitation Program	84.126A	1324967	174,496	-
Total U.S. Department of Education			48,035,499	-
U.S. Department of the Treasury				
Passed through California Community Colleges Chancellor's Office				
COVID-19: Coronavirus Relief Fund	21.019	[1]	718,199	-
Research and Development Cluster				
National Science Foundation				
Mentored Pathways from Community College to Graduate School and Chemistry Careers	47.076		1,016,260	-
Math Persistence Inquiry and Equity	47.076		109,779	-
Subtotal Research and Development Cluster			1,126,039	-

[1] Pass-Through Entity Identifying Number not available.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Veterans Affairs				
Veterans Services	64.117		$ 25,000	$ -
Post-9/11 Veterans Educational Assistance	64.027		680	
Total U.S. Department of Veterans Affairs			25,680	-
U.S. Department of Health and Human Services				
Passed through California Community Colleges				
Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	85,352	-
U.S. Department of Defense				
Procurement Technical Assistance (DLA)	12.002		508,010	-
U.S. Department of Housing and Urban Development				
Passed through City of San Diego				
Community Development Block Grant	14.218	CED-FY21-003-02	20,860	-
U.S. Department of Agriculture				
Passed through Foundation for California Community Colleges				
Fresh Success	10.561	FRS-010-17	692	-
U.S. Department of Justice				
Passed through Foundation for California Community Colleges				
San Diego Campus Violence				
Prevention Project Consortium	16.525	2021-WA-AX-0044	94,036	-
Small Business Administration				
Small Business Administration	59.037		1,375,175	899,915
COVID-19: Small Business Administration	59.037		1,297,214	-
Subtotal			2,672,389	899,915
Women's Business Center	59.043		204,885	-
COVID-19: Women's Business Center	59.043		257,516	-
Subtotal			462,401	899,915
Subtotal Small Business Administration			3,134,790	899,915
Total Federal Financial Assistance			$ 53,749,157	$ 899,915

[1] Pass-Through Entity Identifying Number not available.

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
Aquatic Center Grant	$ 33,972	$ -	$ 33,972	$ -	$ -
Adult Education	742,753	-	43,095	699,658	699,658
Basic Skills	58,449	-	-	58,449	58,449
BFAP Financial Aid Allowance	120,243	-	66,587	53,656	53,656
California Promise Program	3,050,612	-	1,253,882	1,796,730	1,796,730
California Work Opportunity and Responsibility for Kids (CalWORKs)	471,245	-	191,219	280,026	214,446
Classified Professional Development	60,778	-	54,934	5,844	5,844
DSPS Programs and Services	1,813,723	-	104,313	1,709,410	1,366,345
EOPS CARE Support	379,560	-	202,241	177,319	177,319
EOPS Category A	2,519,837	-	47,307	2,472,530	2,472,530
Food Security-Hunger Free	111,604	111	-	111,715	111,715
Go-Biz	976,326	953,330	700,968	1,228,688	1,228,688
Guided Pathways Project	551,194	-	300,011	251,183	251,183
Instructional Equipment and Library	1,446,797	-	1,446,797	-	-
Matriculation Assessment	(120,873)	3,766,889	-	3,646,016	3,625,320
Matriculation Non Credit	56,910	25,835	44,983	37,762	37,762
Mental Health	51,050	-	-	51,050	51,050
Nursing Education	200,190	-	-	200,190	200,190
Online CTE Pathways Grant	76,377	149,710	-	226,087	226,087
Staff Diversity	77,253	-	45,395	31,858	31,858
Strong Workforce	4,047,606	-	2,301,788	1,745,818	1,745,818
Student Equity	1,000,086	570,376	-	1,570,462	1,570,462
Technical Assistance Expansion Program	2,630,181	511,527	882,382	2,259,326	2,259,326
Umoja Comm Ed Foundation Grant	29,078	-	29,078	-	-
Veteran Resource Center	768,770	1,069	593,458	176,381	176,381
Total state programs	$ 21,153,721	$ 5,978,847	$ 8,342,410	$ 18,790,158	$ 18,360,817

See Notes to Supplementary Information

CATEGORIES	Reported Data**	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2020 only)			
1. Noncredit*	21.00	-	21.00
2. Credit	1,634.09	-	1,634.09
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)			
1. Noncredit*	1.93	-	1.93
2. Credit	0.24	-	0.24
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,668.42	-	7,668.42
(b) Daily Census Contact Hours	656.49	-	656.49
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	91.22	-	91.22
(b) Credit	402.37	-	402.37
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	2,079.30	-	2,079.30
(b) Daily Census Procedure Courses	1,296.32	-	1,296.32
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	13,851.38	-	13,851.38
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	-	-	-
2. Credit	520.82	-	520.82
CCFS-320 Addendum			
CDCP Noncredit FTES	30.54	-	30.54
Centers FTES			
1. Noncredit*	0.99	-	0.99
2. Credit	3,185.68	-	3,185.68

*Including Career Development and College Preparation (CDCP) FTES.
**Annual report revised as of November 1, 2021.

See Notes to Supplementary Information

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP	Reported	Audit	Revised	Reported	Audit	Revised
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 17,458,312	$ -	$ 17,458,312	$ 17,458,312	$ -	$ 17,458,312
Other	1300	16,822,651	-	16,822,651	16,822,651	-	16,822,651
Total Instructional Salaries		34,280,963	-	34,280,963	34,280,963	-	34,280,963
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	10,719,104	-	10,719,104
Other	1400	-	-	-	628,288	-	628,288
Total Noninstructional Salaries		-	-	-	11,347,392	-	11,347,392
Total Academic Salaries		34,280,963	-	34,280,963	45,628,355	-	45,628,355
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	17,549,676	-	17,549,676
Other	2300	-	-	-	877,333	-	877,333
Total Noninstructional Salaries		-	-	-	18,427,009	-	18,427,009
Instructional Aides							
Regular Status	2200	2,326,917	-	2,326,917	2,326,917	-	2,326,917
Other	2400	376,084	-	376,084	376,084	-	376,084
Total Instructional Aides		2,703,001	-	2,703,001	2,703,001	-	2,703,001
Total Classified Salaries		2,703,001	-	2,703,001	21,130,010	-	21,130,010
Employee Benefits	3000	15,182,100	-	15,182,100	30,065,443	-	30,065,443
Supplies and Material	4000	-	-	-	1,598,964	-	1,598,964
Other Operating Expenses	5000	723,367	-	723,367	8,216,808	-	8,216,808
Equipment Replacement	6420	-	-	-	112,302	-	112,302
Total Expenditures Prior to Exclusions		52,889,431	-	52,889,431	106,751,882	-	106,751,882

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP	Reported	Audit	Revised	Reported	Audit	Revised
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 2,072,052	$ -	$ 2,072,052	$ 2,072,052	$ -	$ 2,072,052
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,690,565	-	2,690,565
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP	Reported	Audit	Revised	Reported	Audit	Revised
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	57,743	-	57,743
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	54,559	-	54,559
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	54,559	-	54,559
Total Capital Outlay					112,302	-	112,302
Other Outgo	7000	-	-	-	1,063,530	-	1,063,530
Total Exclusions		2,072,052	-	2,072,052	5,938,449	-	5,938,449
Total for ECS 84362, 50 % Law		$ 50,817,379	$ -	$ 50,817,379	$ 100,813,433	$ -	$ 100,813,433
% of CEE (Instructional Salary Cost/Total CEE)		50.41%		50.41%	100.00%		100.00%
50% of Current Expense of Education					$ 50,406,717		$ 50,406,717

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements.

	Unrestricted General Fund	Student Financial Aid Fund
Fund Balance		
Balance, June 30, 2021, (CCFS-311)	$ 17,483,173	$ 1,788,026
Increase in		
Accounts receivable	-	8,529
Unearned revenue	-	(1,794,685)
Decrease in		
Accounts payable	5,509,655	-
Balance, June 30, 2021, Audited	$ 22,992,828	$ 1,870

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				$ 20,134,194
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 20,134,194	$ -	$ -	$ 20,134,194
Total Expenditures for EPA		$ 20,134,194	$ -	$ -	$ 20,134,194
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 23,560,949	
Special Revenue Funds	2,115,860	
Capital Project Funds	127,069,717	
Debt Service Funds	25,040,572	
Proprietary Funds	3,924,699	
Internal Service Funds	594,688	
Fiduciary Funds	9,205,860	
Total fund balance - all District funds		$ 191,512,345
Amounts held in trust on behalf of others (OPEB Trust)		(9,205,860)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	576,603,170	
Accumulated depreciation is	(113,801,705)	
Total capital assets, net		462,801,465
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to debt refunding	28,627,327	
Deferred outflows of resources related to OPEB	8,388,544	
Deferred outflows of resources related to pensions	28,500,139	
Total deferred outflows of resources		65,516,010
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(5,735,793)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	$ (570,371,312)	
Lease revenue bonds	(495,762)	
Compensated absences	(3,964,671)	
Load banking	(1,544,984)	
Supplemental employee retirement plan	(4,133,834)	
Aggregate net other postemployment benefits (OPEB) liability	(14,048,889)	
Aggregate net pension liability	(136,901,567)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(27,860,924)	
Total long-term liabilities		$ (759,321,943)
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to debt refunding	(663,157)	
Deferred inflows of resources related to OPEB	(7,121,201)	
Deferred inflows of resources related to pensions	(5,542,005)	
Total deferred inflows of resources		(13,326,363)
Total net position (deficit)		$ (67,760,139)

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing.

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies
Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate
The District has not elected to use the 10% de minimis cost rate.

Donated Personal Protective Equipment (PPE) (unaudited)
Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately $739 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or CFDA numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of *Education Code* Section 84362 (50% Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 % of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

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 District's internal fund financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Independent Auditor's Reports
June 30, 2021

Southwestern Community College District

Independent Auditor's 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*

Board of Trustees
Southwestern Community College District
Chula Vista, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the remaining fund information of Southwestern Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2022.

Emphasis of Matters

Change in Accounting Principle
As discussed in Note 2 and Note 14 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position (deficit) as of July 1, 2020. Our opinions are not modified with respect to this matter.

Correction of Errors in Previously Issued Financial Statements
As discussed in Note 14 to the financial statements, the District's prior year governmental activities net position (deficit) has been restated as of July 1, 2020 to correct certain errors that were discovered during our audit of the current year. Our opinions are not modified with respect to this matter.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Southwestern Community College District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Southwestern Community College District
Chula Vista, California

Report on Compliance for Each Major Federal Program
We have audited Southwestern Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30,2021.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003 and 2021-004. Our opinion on each major federal program is not modified with respect to this matter.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003 and 2021-004 that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2022

Independent Auditor's Report on State Compliance

Board of Trustees
Southwestern Community College District
Chula Vista, California

Report on State Compliance
We have audited Southwestern Community College District's (the District) compliance with the types of compliance requirements described in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested
In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following:

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50% Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 499	COVID-19 Response Block Grant Expenditures

The District received no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance within classes subject to To Be Arranged Hours (TBA) for Apportionment funding; therefore, the compliance tests within this section were not applicable.

The District received no funding through Propositions 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Unmodified Opinion
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2021.

Eide Bailly LLP

Rancho Cucamonga, California
February 3, 2022

Schedule of Findings and Questioned Costs
June 30, 2021

Southwestern Community College District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L

Dollar threshold used to distinguish between type A and type B programs	$1,612,475
Auditee qualified as low-risk auditee?	No

State Compliance

Type of auditor's report issued on compliance for state programs	Unmodified

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*.

2021-001 Financial Reporting and Closing Process

Criteria or Specific Requirements
The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition
Material Weakness - Several year-end adjustments were identified during the audit that resulted in changes in certain accounts from the client prepared trial balance.

- General state apportionment revenue was understated by $2,120,939.
- General Fund accounts payable was overstated by $5,509,655 due to the recording of compensated absences and load banking as a current liability.
- Student Financial Aid fund balance was overstated due to prior recognition of state grant revenues that were not yet disbursed to students.
- A restatement to the government-wide net position was made related to long-term liabilities resulting in a reduction of net position (deficit) by $36,919,043. See Note 14 for additional information on the restatement.

Questioned Costs
There are no questioned costs associated with the condition identified.

Context
Account balances associated with the above mentioned accounts required adjustments in order to be in accordance with the BAM and GAAP.

Effect
Material adjustments to the general ledger, as noted in Note 14 to the financial statements, and the Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements on page 79, were proposed as a result of audit procedures. These adjustments were accepted by management to ensure the financial statements were presented in accordance with generally accepted accounting principles.

Cause
The oversight and monitoring controls over the closing process were not effective in preventing or detecting errors.

Repeat Finding: (Yes or No)
No.

Recommendation
The District should establish policies and procedures to ensure account balances are fairly stated and reported in accordance with BAM and GAAP.

Views of Responsible Officials and Corrective Action Plan
We concur. The District will review its existing year-end closing tasks and related calendar and add additional tasks to ensure comprehensive completion and reconciliation. The Director of Finance will ensure that the District's staff accountants are engaging in timely completion of monthly general ledger and bank account reconciliations including follow-through of related tasks to resolve variances. Supporting documents for all reconciliations will be reviewed monthly by the Director of Finance and quarterly by the Vice President for Business and Financial Affairs to ensure timely preparation, accuracy, reporting and compliance with GAAP.

The following findings represent significant deficiencies in internal control over compliance and instances of noncompliance that are required to be reported by the Uniform Guidance.

2021-002 **Special Tests and Provisions - Return to Title IV**
Program Name: Student Financial Assistance Cluster
Federal Assistance Listing Numbers: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements
34 CFR section 668.22(j)(2):
An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

34 CFR section 668.22(c):
If an institution is not required to take attendance, the withdrawal date is (1) the date, as determined by the institution, that the student began the withdrawal process prescribed by the institution; (2) the date, as determined by the institution, that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence.

34 CFR section 668.173(b)
Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Condition
Significant Deficiency in Internal Control over Compliance – During testing over Return to Title IV requirements, the following deficiencies were noted:

- 9 of 60 Return to Title IV calculations were not done within the 45-day requirement.
- 2 of 23 unofficial withdrawal Return to Title IV calculations had a withdrawal determination date outside of the required 30 days following the term end.

Questioned Costs
There are no questioned costs associated with the condition identified.

Context
The District did not perform R2T4 calculations for students under the Pell Grant and Direct Loan Programs timely or accurately.

Effect
Without proper monitoring of accuracy and student withdrawals, the District risks noncompliance with the above referenced criteria.

Cause
The District did not implement procedures to ensure that the return to Title IV funds were performedaccurately and returned in a timely manner.

Repeat Finding: (Yes or No)
No.

Recommendation
The District should establish effective controls to ensure the return of funds occurs within 45 days from the date the institution determines the student withdrew from all classes. In addition, controls should be established to ensure all return to Title IV calculations for unofficial withdrawals are performed within 30 days following the end of each term.

Views of Responsible Officials and Corrective Action Plan
We concur. The Financial Aid Department continues to adhere to their recent 2021-2022 R2T4 Policy and Procedures found on pages 1-6 of the Return of Title IV (R2T4) and Overpayment manual. Moreover, the Financial Aid Department has continued to work closely with US Department of Education Program Compliance Review Specialists regarding previous R2T4 findings. Throughout the last 14 months, and as recent as December 2021, the Financial Aid Team has participated in deep discussions and deeper reviews of the R2T4 procedures with the Finance Department. We will ensure timely review and reporting of withdraws in accordance with requirements.

2021-003 **Special Tests and Provisions - Enrollment Reporting**
Program Name: Student Financial Assistance Cluster
Federal Assistance Listing Numbers: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirements
OMB Compliance Supplement, OMB No. 1845-0035 – Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS).

Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website which the financial aid administrator can access for the auditor. The data on the institution's Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment information. There are two categories of enrollment information; "Campus Level" and "Program Level," both of which need to be reported accurately and have separate record types. The NSLDS Enrollment Reporting Guide provides the requirements and guidance for reporting enrollment details using the NSLDS Enrollment Reporting Process.

Condition
Significant Deficiency in Internal Control over Compliance – During testing over the NSLDS reporting requirements, 1 of 60 student enrollment statuses, changes, and program information were never reported to NSLDS due to an error in uploading the student's information.

Questioned Costs
There are no questioned costs associated with the condition identified.

Context
The District disbursed financial aid to approximately 6,400 students that required student enrollment and program enrollment reporting to NSLDS.

Effect
The District is not in compliance with the Federal enrollment reporting requirements described in the OMB Compliance Supplement.

Cause
The District is not in compliance with the Federal enrollment reporting requirements described in the OMB Compliance Supplement.

Repeat Finding: (Yes or No)
No.

Recommendation
The District should implement a process to review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website.

Views of Responsible Officials and Corrective Action Plan
We concur. The Director, Financial Aid and Veteran Services in conjunction with the Director, Admissions and Records, the Admissions and Records Data Software Specialist, the Director of IT and Institutional Researcher, following the established reporting calendar, will review enrollment reporting procedures and control procedures to ensure timely and accurate reporting to NSLDS from the National Student Clearinghouse. We will confirm completion and verification of uploads.

2021-004 Reporting

Program Name: Covid-19: Higher Education Emergency Relief Funds, Student Aid Portion and COVID-19: Higher Education Emergency Relief Funds, Institutional Portion
Federal Assistance Listing Numbers: 84.425E and 84.425F
Federal Agency: U.S Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirement
Section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion and Institutional Aid Portion award to publicly post certain information on their website for each calendar quarter no later than ten days after the end of each calendar quarter.

Condition
Significant Deficiency in Internal Control Over Compliance - The institutional portion report for the quarter ended September 30, 2020 was made publicly available 30 days after quarter end. In addition, the student portion report was made available fifteen days after quarter end. Therefore, the District did not meet the timeliness requirement.

Questioned Costs
There are no questioned costs associated with the condition identified.

Context
The District is required to report quarterly the colleges activities and student grant metrics within ten days from the calendar quarter end. Based on a sample of reports tested , it was noted that one student report and one institutional report were not submitted in a timely manner.

Effect
The College's September 30, 2020 quarter end report for the institutional portion was posted 20 days late and the student portion was posted five days late.

Cause
There was a lack of oversight in the quarterly reporting requirement for the student aid portion and institutional portion reporting.

Repeat Finding: (Yes or No)
No.

Recommendation
The District should ensure that reporting requirements and deadlines are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met.

View of Responsible Officials and Corrective Action Plan
We concur. The Director of Finance will ensure timely and accurate submission of reports.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.