

Southwestern Community College District

Chula Vista, California

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

For the Year Ended June 30, 2020



Southwestern Community College District

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
Board of Trustees and Executive Officials	i
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report on Financial Statements	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	5
Basic Financial Statements:	
Statement of Net Position	12
Statement of Activities and Changes in Net Position	15
Statement of Cash Flows.....	16
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to the Basic Financial Statements	25
Required Supplementary Information (Unaudited):	
Schedules of Changes in Proportionate Share of the Net Pension Liability:	
California Public Employees' Retirement System (CalPERS).....	61
California State Teachers' Retirement System (CalSTRS)	61
Schedules of Contributions:	
California Public Employees' Retirement System (CalPERS).....	62
California State Teachers' Retirement System (CalSTRS)	62
Schedule of Changes in Net OPEB Liabilities and Related Ratios.....	63
Schedule of OPEB Contributions – District's Plan.....	64
Supplementary Information:	
Combining Schedule of Assets, Liabilities, and Fund Balances	68
Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances to Basic Statement of Net Position	71
Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity/Net Position	72
Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity to Basic Statement of Activities and Changes in Net Position	75

Southwestern Community College District

Table of Contents (Continued)

	<u>Page</u>
Single Audit:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79
Report on Compliance for each Major Federal Program and on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	81
Schedule of Expenditures of Federal Awards.....	83
Notes to the Schedule of Expenditures of Federal Awards.....	85
Schedule of Findings and Questioned Costs.....	86
State Compliance:	
Independent Auditors' Report on State Compliance Requirements	91
Other Information:	
Purpose of Schedules.....	95
Schedule of Workload Measures for State General Apportionment and Annual Actual Attendance.....	97
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements.....	99
Reconciliation of 50% Calculation with Audited Financial Statements.....	101
Reconciliation of Education Protection Account Expenditures with Audited Financial Statements.....	102
Schedule of Expenditures of State Awards.....	103
Budget Comparison Schedule – General Fund Unrestricted and Restricted.....	104

Southwestern Community College District

Introductory Section

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

The Governing Board of the District for the fiscal year ended June 30, 2020 was composed of the following members:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Roberto Alcantar	President	November 2020
Nora E. Vargas	Vice President	November 2022
Leticia Cazares	Board Member	November 2020
Griselda A. Delgado	Board Member	November 2020
Tim Nader	Board Member	November 2022
Melkitsedeq, Jorge Hernandez	Student Trustee	May 2021

The Executive and Senior Administration of the District for the fiscal year ended June 30, 2020 was composed of the following members:

<u>Member</u>	<u>Office</u>
Kindred Murillo, Ed.D.	Superintendent/President
Kelly Hall, Ph.D.	Vice-President for Business & Financial Affairs
Rose Del Gaudio	Vice-President, Human Resources
Minou Spradley, Ph.D.	Vice-President for Academic Affairs
Tina King, Ed.D	Vice-President for Student Affairs

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary funds of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2020, and the related notes to the basic 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southwestern College Foundation (the "Foundation"), an aggregate discretely presented component unit of the District. Those financial statements were audited by other auditors, whose report dated December 4, 2020, has been furnished to us, and our opinion on the basic financial statements of the District, insofar as it relates to the Foundation, is based solely on the report of the other auditors.

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

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

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

4365 Executive Drive, Suite 710, San Diego, California 92122

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

Opinions

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary funds, and the aggregate discretely presented component unit of the District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Changes in Proportionate Share of the Net Pension Liability – CalSTRS and CalPERS, Schedules of Contributions – CalPERS and CalSTRS, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Contributions – OPEB on pages 5 through 10 and page 60 through 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

To the Board of Trustees
of the Southwestern Community College District
Chula Vista, California
Page 3

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the District, taken as a whole. The accompanying Introductory Section, Purpose of Schedules, Schedule of Workload Measures for State General Apportionment and Annual Actual Attendance, Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements, Reconciliation of the 50% Calculation with Audited Financial Statements, Reconciliation of Education Protection Account Expenditures with Audited Financial Statements, Schedule of Expenditures of State Awards, and Budget Comparison Schedule – General Fund are not a required part of the basic financial statements but are other information required by the State of California Department of Education. This other information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Introductory Section and Other Information. However, we did not audit the information and express no opinion on these schedules.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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

San Diego, California
January 25, 2021

This page intentionally left blank.

**Southwestern Community College District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020**

This section of the Southwestern Community College District's (the "District") financial statements presents the analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Ending General Fund fund-balance (unrestricted) at June 30, 2020 was \$16.8 million or 15.4% of General Fund unrestricted expenses. This is a decrease from last year of \$19.9 or 19.7% of General Fund unrestricted expenses.
- Funded FTES (full time equivalent students) were 14,209 in Fiscal Year (FY) 2019-20 and 14,694 in FY 2018-19.
- Budgeted FTES in FY 2020-21 are 14,750.
- The General Fund unrestricted expenses over revenue of (\$3,040,369) represent a 407% decrease from the prior year. The revenue over expenses in FY 18-19 was \$989,568 which included one-time state funding.
- Bond Proposition R expenses during the year were \$4.7 million with an ending cash balance of \$33.7 thousand at June 30, 2020.
- Bond Proposition Z expenses during the year were \$48.2 million with an ending cash balance of \$79.9 million at June 30, 2020.

Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements consist of the following four components:

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

Additional information presented with the Basic Financial Statements includes:

- Introductory Section;
- Supplementary Information:
 - Combining Schedule of Assets, Liabilities, and Fund Balances;
 - Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances to Government-Wide Statement of Net Position;
 - Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity/Net Position;
 - Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses, and Changes in Fund Equity to Government-Wide Statement of Activities and Changes in Net Position;
- Single Audit
- State Compliance
- Other Information:
 - Purpose of Schedules;
 - Schedule of Workload Measures for State General Apportionment and Annual Actual Attendance;
 - Reconciliation of Annual Financial and Budget Report (CCFS-311) with the Audited Financial Statements;
 - Reconciliation of the 50% Calculation with Audited Financial Statements;
 - Reconciliation of Education Protection Account Expenditures with Audited Financial Statements;
 - Schedule of Expenditures of State Awards; and
 - Budget Comparison Schedule – General Fund Unrestricted and Restricted.

Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector institutions. Net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the financial health of the District. The data allows its readers to determine the assets available to continue the operations of the District. The net position of the District consists of three major categories. The *Net Investment in Capital Assets* category represents the District's equity in property, plant, and equipment net of related debt.

Restricted Net Position is restricted by use constraints placed on it by outside parties such as agreements, laws, regulations of creditors, other governments or as imposed by laws through constitutional provisions or enabling legislation. *Unrestricted Net Position* is the final category. The District can use unrestricted net position for any lawful purpose. Although unrestricted by third parties, the District's Governing Board may place internal restrictions on this net position, but it retains the power to modify or remove such restrictions.

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

Table 1
Statements of Net Position

	June 30, 2020	June 30, 2019	Changes	
Current assets	\$ 131,955,373	\$ 181,165,781	\$ (49,210,408)	-27.2%
Noncurrent assets	453,390,628	419,240,647	34,149,981	8.1%
Total assets	<u>585,346,001</u>	<u>600,406,428</u>	<u>(15,060,427)</u>	<u>-2.5%</u>
Deferred outflows of resources	<u>40,495,172</u>	<u>41,621,515</u>	<u>(1,126,343)</u>	<u>-2.7%</u>
Current liabilities	52,950,310	49,338,712	3,611,598	7.3%
Long-term liabilities	<u>577,860,517</u>	<u>590,086,037</u>	<u>(12,225,520)</u>	<u>-2.1%</u>
Total liabilities	<u>630,810,827</u>	<u>639,424,749</u>	<u>(8,613,922)</u>	<u>-1.3%</u>
Deferred inflows of resources	<u>12,648,223</u>	<u>10,605,981</u>	<u>2,042,242</u>	<u>19.3%</u>
Net position:				
Net investment in capital assets	63,542,485	64,041,032	(498,547)	-0.8%
Restricted	26,694,252	30,864,967	(4,170,715)	-13.5%
Unrestricted	<u>(107,854,614)</u>	<u>(102,908,786)</u>	<u>(4,945,828)</u>	<u>4.8%</u>
Total net position	<u>\$ (17,617,877)</u>	<u>\$ (8,002,787)</u>	<u>\$ (9,615,090)</u>	<u>120.1%</u>

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

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

**Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

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

**Table 2
Changes in Net Position**

	June 30, 2020	June 30, 2019	Change	
Operating revenues	\$ 32,732,744	\$ 27,613,137	\$ 5,119,607	18.5%
Operating expenses	(196,594,985)	(175,210,123)	(21,384,862)	12.2%
Deficit before depreciation and Nonoperating income and expenses	(163,862,241)	(147,596,986)	(16,265,255)	11.0%
Depreciation	(14,865,438)	(7,716,119)	(7,149,319)	92.7%
Non-operating income and expenses, net	169,112,589	158,009,010	11,103,579	7.0%
Increase (decrease) in net position	<u>\$ (9,615,090)</u>	<u>\$ 2,695,905</u>	<u>\$ (12,310,995)</u>	<u>-456.7%</u>

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

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

**Table 3
Statement of Cash Flows**

	June 30, 2020	June 30, 2019
Cash provided by (used in):		
Operating activities	\$ (156,819,590)	\$ (145,457,496)
Non-capital financing activities	180,768,736	170,161,781
Capital and related financing activities	(86,658,842)	(99,245,289)
Investing activities	3,379,143	5,796,227
Net change in cash and cash equivalents	(59,330,553)	(68,744,777)
Cash balance, beginning of year	202,957,171	271,701,948
Cash balance, end of year	<u>\$ 143,626,618</u>	<u>\$ 202,957,171</u>

**Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

CAPITAL ASSETS

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2020. These changes are presented in detail in Note 4 to the financial statements.

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

	June 30, 2020	June 30, 2019	Change	
Land	\$ 9,703,148	\$ 9,703,148	\$ -	0.0%
Buildings	300,664,157	153,707,425	146,956,732	95.6%
Improvements	48,864,870	105,671,282	(56,806,412)	-53.8%
Equipment	4,566,383	2,793,404	1,772,979	63.5%
Construction in progress	62,897,818	116,500,421	(53,602,603)	-46.0%
Net capital assets	<u>\$ 426,696,376</u>	<u>\$ 388,375,680</u>	<u>\$ 38,320,696</u>	<u>9.9%</u>

LONG TERM DEBT

The following table summarizes the District's long-term debt and changes therein for the year ended June 30, 2020. Changes in long term debt are presented in detail in Note 6 to the financial statements.

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

	June 30, 2020	June 30, 2019	Change	
Bonds Payable:				
Lease Revenue	\$ 595,000	\$ 695,000	\$ (100,000)	-14.4%
GO Bond, Series 2004	12,993,974	12,993,974	-	0.0%
Prop R - Series C	65,050,370	65,490,370	(440,000)	-0.7%
Prop R - Series D	115,984,325	115,984,325	-	0.0%
GO Bond, Series 2015, Refunding	18,810,000	21,040,000	(2,230,000)	-10.6%
GO Bond 2016, Refunding Series A	3,400,000	3,400,000	-	100.0%
GO Bond 2016, Refunding Series B	84,335,000	84,335,000	-	100.0%
GO Bond 2016, Series A	114,550,000	127,900,000	(13,350,000)	100.0%
Unamortized premiums	29,983,631	32,091,206	(2,107,575)	-6.6%
	<u>\$ 445,702,300</u>	<u>\$ 463,929,875</u>	<u>\$ (18,227,575)</u>	<u>-3.9%</u>

**Southwestern Community College District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

ECONOMIC FACTORS AND 2020-21 BUDGET

The major economic factors that have an effect on the District's financial condition are directly related to the overall economy of the State of California and any future legislation that may impact the funding of community colleges.

The District's FY 2020-2021 Adopted Budget (General Fund-Unrestricted) includes revenue and expense projections based on the best information available to date and is not based on the budgetary basis of accounting. The adopted budget also includes sufficient reserves for the District's stability and security, including a Governing Board reserve of 7%.

The District's unrestricted general fund revenue budget for FY 2020-2021 is \$103.1 million compared to FY 2019-2020 adopted budget of \$105.8 million a 2.6% decrease.

- General unrestricted revenues consist of California State principal apportionment (including faculty hiring allocation and Proposition 30 Educational Protection Act) of \$59.9 million, property taxes of \$30.4 million, enrollment fees of \$4.9 million, and \$7.9 million in other revenue including lottery proceeds of \$2.2 million and non-resident tuition of \$1.1 million.

The District's FY 2020-2021 General Fund unrestricted budgeted expenses of \$110.8 million compared to FY 2019-2020 budgeted expenses of \$105.2 million, represent a 5.3% increase.

Proposition R Bond construction funds that are separate from the General Fund have an expense budget of \$10.3 million. Proposition Z construction Bond fund has an expense budget of \$85.7 million including projects for the student and performing arts center.

The total District-wide expense budget for all funds in FY 2020-2021 is \$255.4 million:

	FY 20-21 Budget
General Fund Summary	\$ 148,407,821
Enterprise Fund Summary	4,632,438
Prop R Construction Bond Fund	10,296,000
Prop Z Construction Bond Fund	85,651,800
Civic Center Leasing Fund	209,494
Capital Outlay Fund	1,130,191
Associated Student Organization Fund	374,800
Student Success Completion Fund	4,570,538
Student Center Fund	163,572
	\$ 255,436,654

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report was designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Vice President of Business and Financial Affairs, Southwestern Community College District, 900 Otay Lakes Road, Chula Vista CA 91910.

BASIC FINANCIAL STATEMENTS

Southwestern Community College District
Statement of Net Position
June 30, 2020

	Primary Government District	Component Unit Foundation
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,991,132	\$ 524,320
Investments	-	166,797
Accounts receivable, net	13,853,568	1,768
Inventories	1,103,038	-
Prepaid items	5,475	625
Due from fiduciary funds	60,926	-
Other assets	-	15
Restricted cash and cash equivalents	79,941,234	309,003
Total current assets	131,955,373	1,002,528
Noncurrent assets:		
Restricted cash and cash equivalents	26,694,252	-
Restricted investments	-	953,420
Capital assets, net	426,696,376	-
Total noncurrent assets	453,390,628	953,420
Total assets	585,346,001	1,955,948
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows	29,943,927	-
OPEB-related deferred outflows	7,115,124	-
Deferred loss on refunding, net	3,436,121	-
Total deferred outflows of resources	40,495,172	-

Southwestern Community College District
Statement of Net Position (Continued)
June 30, 2020

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
LIABILITIES		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	8,493,539	2,467
Interest payable	6,449,288	-
Payroll and related liabilities	6,894,588	-
Unearned revenue	12,806,676	-
Due from fiduciary funds	30,000	-
Compensated absences - due within one year	2,500,000	-
Bonds payable - due within one year	15,776,219	-
Total current liabilities	<u>52,950,310</u>	<u>2,467</u>
Noncurrent liabilities:		
Compensated absences - due in more than one year	1,503,028	-
Bonds payable - due in more than one year	429,926,081	-
Net pension liability - due in more than one year	129,210,617	-
Net OPEB liability - due in more than one year	17,220,791	-
Total noncurrent liabilities	<u>577,860,517</u>	<u>-</u>
Total liabilities	<u>630,810,827</u>	<u>2,467</u>
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows	7,242,868	-
OPEB-related deferred inflows	4,576,409	-
Deferred gain on refunding, net	828,946	-
Total deferred inflows of resources	<u>12,648,223</u>	<u>-</u>
Net Position:		
Net investment in capital assets	<u>63,542,485</u>	-
Restricted for:		
Special projects	-	1,262,362
Debt service	26,694,252	-
Total restricted	<u>26,694,252</u>	<u>1,262,362</u>
Unrestricted (deficit) (Note 12)	<u>(107,854,614)</u>	<u>691,119</u>
Total net position (deficit)	<u>\$ (17,617,877)</u>	<u>\$ 1,953,481</u>

This page intentionally left blank.

Southwestern Community College District
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2020

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
OPERATING REVENUES:		
Tuition and fees	\$ 8,864,455	\$ -
Grants and contracts, non-capital:		
Federal	10,746,810	-
State	7,086,766	-
Local	2,304,608	-
Total grants and contracts, non-capital	<u>20,138,184</u>	<u>-</u>
Auxiliary enterprise sales and charges, net	3,689,802	-
Other operating revenues	40,303	1,768,059
Total operating revenues	<u>32,732,744</u>	<u>1,768,059</u>
OPERATING EXPENSES:		
Salaries	97,998,118	-
Employee benefits	32,822,885	-
Payments to students	43,585,279	223,083
Supplies, materials, and other expenses	19,307,124	1,265,706
Utilities	2,881,579	-
Depreciation	14,865,438	-
Total operating expenses	<u>211,460,423</u>	<u>1,488,789</u>
Operating income (loss)	<u>(178,727,679)</u>	<u>279,270</u>
NONOPERATING REVENUE (EXPENSES):		
Federal grants, non-capital	29,892,586	-
State apportionments, non-capital	89,794,802	-
Local property taxes, non-capital	59,517,204	-
Investment income	3,352,143	45,710
Interest expense	(15,008,290)	-
Other nonoperating revenues (expenses)	1,564,144	-
Total nonoperating revenues (expenses), net	<u>169,112,589</u>	<u>45,710</u>
Changes in net position	(9,615,090)	324,980
NET POSITION (DEFICIT):		
Beginning of year	(8,002,787)	1,628,501
End of year	<u>\$ (17,617,877)</u>	<u>\$ 1,953,481</u>

Southwestern Community College District
Statement of Cash Flows
For the Year Ended June 30, 2020

	Primary Government District	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 5,836,469	\$ -
Grants and contracts	20,138,184	-
Payments for supplies and services	(143,016,765)	(1,262,325)
Payments to students	(43,585,279)	(223,083)
Auxiliary enterprise sales and charges	3,689,802	-
Other operating revenues and expenses	117,999	1,762,159
Net cash provided by (used in) operating activities	(156,819,590)	276,751
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Federal Pell Grants	29,892,586	-
State apportionment	89,794,802	-
Local property taxes	59,517,204	-
Other	1,564,144	-
Net cash provided by noncapital financing activities	180,768,736	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition of capital assets	(53,186,134)	-
Principal paid on bonds	(16,120,000)	-
Payment of interest and fees	(17,352,708)	-
Net cash (used in) capital financing activities	(86,658,842)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	27,000	-
Interest and investment proceeds	3,352,143	7,469
Cash provided by (used in) investing activities	3,379,143	7,469
Net increase (decrease) in cash and equivalents	(59,330,553)	284,220
CASH AND CASH EQUIVALENTS		
Beginning of year	202,957,171	549,103
End of year	\$ 143,626,618	\$ 833,323
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Cash and cash equivalents	\$ 36,991,132	\$ 524,320
Restricted cash and investments - current	79,941,234	-
Restricted cash and investments - noncurrent	26,694,252	309,003
Total cash and cash equivalents	\$ 143,626,618	\$ 833,323

Southwestern Community College District
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2020

	Primary Government <u>District</u>	Component Unit <u>Foundation</u>
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (178,727,679)	\$ 279,270
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	14,865,438	-
Change in assets and liabilities:		
Receivables	(6,118,882)	310
Inventories	12,175	-
Prepaid items	58,598	900
Due from fiduciary funds	77,696	-
Other assets	-	535
Pension-related deferred outflows	2,621,828	-
OPEB-related deferred outflows	(1,673,308)	-
Accounts payable and accrued liabilities	(1,029,260)	1,636
Payroll and related liabilities	2,142,618	-
Unearned revenue	3,090,896	(5,900)
Aggregate net pension liability	6,938,073	-
Net OPEB liability	(2,220,999)	-
Pension related deferred inflows	(2,285,706)	-
OPEB-related deferred inflows	4,487,722	-
Compensated absences	941,200	-
Net cash provided by (used in) operating activities	<u><u>\$ (156,819,590)</u></u>	<u><u>\$ 276,751</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash Capital and Related Financing Activities:		
Amortization of deferred loss on bond refunding	\$ (177,823)	\$ -
Amortization of deferred gain on bond refunding	159,774	-
Amortization of bond premiums	(2,107,575)	-
Total noncash capital and related financing activities	<u><u>\$ (2,125,624)</u></u>	<u><u>\$ -</u></u>

This page intentionally left blank.

FUNDS OF THE DISTRICT

Associated Students Trust Fund - This agency fund accounts for funds that the District holds in an agent capacity on behalf of various Associated Students clubs.

Student Services Trust Fund - This fund is used to account for funds that the District holds in an agent capacity on behalf of Student Services.

Student Fees Trust Fund - This fund is used to account for funds that the District holds in an agent capacity on behalf of student clubs and organizations.

This page intentionally left blank.

Southwestern Community College District
Statement of Fiduciary Net Position
June 30, 2020

	Associated Student Trusts	Student Service Trust Funds	Student Fees Trust Funds	Total
Assets:				
Cash and investments	\$ 616,616	\$ 1,146,069	\$ -	\$ 1,762,685
Accounts receivable	5,089	150	1,524	6,763
Due from District	30,000	-	-	30,000
Total assets	<u>651,705</u>	<u>1,146,219</u>	<u>1,524</u>	<u>1,799,448</u>
Liabilities:				
Accounts payable and accrued liabilities	11,400	278	-	11,678
Due to District	37,860	23,066	-	60,926
Deposits payable	23,926	-	-	23,926
Amount held in trust for others	122,281	1,093,872	-	1,216,153
Total liabilities	<u>195,467</u>	<u>1,117,216</u>	<u>-</u>	<u>1,312,683</u>
Net Position:				
Unrestricted	456,238	29,003	1,524	486,765
Total net position	<u>\$ 456,238</u>	<u>\$ 29,003</u>	<u>\$ 1,524</u>	<u>\$ 486,765</u>

Southwestern Community College District
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Associated Student Trusts	Student Service Trust Funds	Student Fees Trust Funds	Total
ADDITIONS				
Student fees	\$ 269,522	\$ -	\$ 1,524	\$ 271,046
Interest and investment income	-	821	-	821
Total additions	<u>269,522</u>	<u>821</u>	<u>1,524</u>	<u>271,867</u>
DEDUCTIONS				
Salaries and benefits	84,150	-	-	84,150
Payments to students	45,000	-	-	45,000
Supplies, materials, and other expenses	172,942	4,501	-	177,443
Total deductions	<u>302,092</u>	<u>4,501</u>	<u>-</u>	<u>306,593</u>
Operating income (loss)	<u>(32,570)</u>	<u>(3,680)</u>	<u>1,524</u>	<u>(34,726)</u>
Changes in net position	(32,570)	(3,680)	1,524	(34,726)
NET POSITION:				
Beginning of year	488,808	32,683	-	521,491
End of year	<u>\$ 456,238</u>	<u>\$ 29,003</u>	<u>\$ 1,524</u>	<u>\$ 486,765</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

Southwestern Community College District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and any other organization for which the nature and significance of their relationship with the District is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The following criteria regarding financial accountability were considered by the District in its evaluation of District organizations and activities for the year ended June 30, 2020:

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

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

The Southwestern College Foundation

The Southwestern College Foundation (Foundation) is a California not-for-profit public benefit corporation organized and incorporated in 1982. The Foundation was established for the purpose of receiving and distributing contributed funds to promote the general welfare of the Southwestern Community College District. Financial statements can be obtained at 900 Otay Lakes Road, Chula Vista, CA 91910.

B. Basis of Accounting and Measurement Focus

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

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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

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

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

C. Cash, Cash Equivalents, and Investments

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

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

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

- Interest rate risk
- Credit risk
 - ◆ overall
 - ◆ custodial credit risk
 - ◆ concentration of credit risk

D. Restricted Cash, Cash Equivalents and Investments

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

E. Fair Value Measurement

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

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Accounts Receivable

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

G. Inventories

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The cost is expensed at the time individual inventory items are withdrawn from the store's inventory for consumption.

H. Bond Discounts, Premiums, and Refunding Losses

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

I. Compensated Absences

Accrued compensated absences benefits are recorded as liabilities as vested and earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year. The unused vacation will be paid to the employee upon leaving the District's employment. The General Fund – Unrestricted is typically used to liquidate compensated absences balances.

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

J. Capital Assets

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

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

<u>Asset</u>	<u>Years</u>
Buildings	25-50
Improvements	10-20
Equipment/Vehicles	5-10

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

K. Net Position

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

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

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

L. Unearned Revenue

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

M. Pensions

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Pensions (Continued)

The following timeframes are used for pension reporting:

CalPERS	
Valuation date	June 30, 2018
Measurement date	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019
CalSTRS	
Valuation date	June 30, 2018
Measurement date	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019

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

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District's Plan and MPP's fiduciary net position have been determined on the same basis as they are reported by the District's Plan and MPP. (Note 7).

The following timeframes are used for OPEB reporting:

OPEB - District's Plan	
Valuation date	June 30, 2019
Measurement date	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019
OPEB - MPP Program	
Valuation date	June 30, 2018
Measurement date	June 30, 2019
Measurement period	July 1, 2018 to June 30, 2019

O. Property Taxes

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Property Taxes (Continued)

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

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

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

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

P. On-Behalf Payments

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

The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System (STRS) on behalf of all community college districts in California. The District recorded \$3,707,448 of revenues and expenses for on-behalf payments in 2020.

Q. Classification of Revenues

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

Revenues are classified according to the following criteria:

Operating Revenues

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

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources, such as state appropriations, state and local property taxes and investment income.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Scholarship Discounts and Allowances

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

S. Use of Estimates

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

T. Accounting Changes

Implementation of New GASB Pronouncements for the Year Ended June 30, 2020

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the District, for the year ended June 30, 2020. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Application of this statement did not have a material effect on the District's financial statements for the fiscal year ending June 30, 2020.

Note 2 – Cash and Investments

The following is a summary of cash and investments at June 30, 2020:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents	\$ 36,991,132	\$ 1,762,685	\$ 524,320	\$ 39,278,137
Restricted cash and cash equivalents	106,635,486	-	309,003	106,944,489
Total cash and cash equivalents	143,626,618	1,762,685	833,323	146,222,626
Investments	-	-	166,797	166,797
Restricted investments	-	-	953,420	953,420
Total investments	-	-	1,120,217	1,120,217
Total cash and investments	\$ 143,626,618	\$ 1,762,685	\$ 1,953,540	\$ 147,342,843

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

Cash, cash equivalents, and investments consisted of the following at June 30, 2020:

	Business-Type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Cash and cash equivalents:				
Cash on hand	\$ 84,951	\$ 2,450	\$ -	\$ 87,401
Cash in bank accounts	5,509,336	1,760,235	833,323	8,102,894
Cash in County treasury	138,032,331	-	-	138,032,331
Total cash and cash equivalents	143,626,618	1,762,685	833,323	146,222,626
Investments:				
Mutual funds	-	-	168,322	168,322
Fixed income	-	-	367,014	367,014
Equities	-	-	475,237	475,237
Real estate investment trust	-	-	6,980	6,980
Closed-end funds and exchange traded products	-	-	102,664	102,664
Total investments	-	-	1,120,217	1,120,217
Total cash and investments	\$ 143,626,618	\$ 1,762,685	\$ 1,953,540	\$ 147,342,843

San Diego County Investment Pool

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

San Diego County Investment Pool (Continued)

The value of the pool shares in the County Pool, which may be withdrawn at any time, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool. At June 30, 2020, the amortized cost approximated is the District's cost. At June 30, 2020, the District had \$138,032,331 invested in the San Diego County Investment Pool.

Restricted Cash and Investments

As of June 30, 2020, the District and Foundation had restricted cash and investments totaling \$106,635,486 and \$1,262,423, respectively. This amount is restricted to be used for acquisition, construction, renovation, repair, and modernization of certain District property and facilities and to refund or advance refund certain obligations of the District.

Fair Value Measurement

As of June 30, 2020, the District's investments had the following recurring fair value measurements:

Investments measured by fair value level:	June 30, 2020	Level 1	Level 2	Level 3
Mutual funds	\$ 168,322	\$ 168,322	\$ -	\$ -
Fixed income	367,014	367,014	-	-
Equities	475,237	475,237		
Equities	6,980	6,980		
Closed-end funds and exchange traded products	102,664	102,664	-	-
Total investments by fair value level	\$ 1,120,217	\$ 1,120,217	\$ -	\$ -
Total investments	\$ 1,120,217			

Disclosures Relating to Interest Rate Risk

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

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

	Foundation Fair Value	Moody's	Standard & Poor's
Mutual funds	\$ 168,322	A2	A
Fixed income	367,014	A2	A
Equities	475,237	Not Rated	Not Rated
Real estate investment trust	6,980	Not Rated	Not Rated
Closed-end funds and exchange traded products	102,664	Not Rated	Not Rated
Total	\$ 1,120,217		

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

Disclosures Relating to Concentration of Credit Risk

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

Disclosures Relating to Custodial Credit Risk

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

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

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

Note 3 – Accounts Receivable

The following is a summary of receivables at June 30, 2020:

	Business-type Activities	Fiduciary Fund Financial Statements	Foundation	Total
Grants:				
Federal	\$ 5,238,054	\$ -	\$ -	\$ 5,238,054
State	2,136,963	-	-	2,136,963
Local	394,955	-	-	394,955
Total grants	<u>7,769,972</u>	<u>-</u>	<u>-</u>	<u>7,769,972</u>
State apportionment	3,522,235	-	-	3,522,235
Others	2,561,361	6,763	1,768	2,569,892
Total	<u>\$ 13,853,568</u>	<u>\$ 6,763</u>	<u>\$ 1,768</u>	<u>\$ 13,862,099</u>

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 4 – Capital Assets

The following summarizes the changes in the various capital asset categories for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Transfers	Reclassification	Balance June 30, 2020
Nondepreciable:					
Land	\$ 9,703,148	\$ -	\$ -	\$ -	\$ 9,703,148
Construction in progress	116,500,421	52,882,693	(106,485,296)	-	62,897,818
Total nondepreciable	126,203,569	52,882,693	(106,485,296)	-	72,600,966
Depreciable:					
Buildings	182,989,368	-	101,301,723	72,375,870	356,666,961
Improvements	150,380,565	-	1,496,559	(70,500,496)	81,376,628
Equipment	9,051,505	303,441	3,687,014	(681,565)	12,360,395
Total depreciable, at cost	342,421,438	303,441	106,485,296	1,193,809	450,403,984
Less accumulated depreciation:					
Buildings	(29,281,943)	(9,528,484)	-	(17,192,377)	(56,002,804)
Improvements	(44,709,283)	(4,680,879)	-	16,878,404	(32,511,758)
Equipment	(6,258,101)	(656,075)	-	(879,836)	(7,794,012)
Total accumulated depreciation	(80,249,327)	(14,865,438)	-	(1,193,809)	(96,308,574)
Total depreciable, net	262,172,111	(14,561,997)	106,485,296	-	354,095,410
Total capital assets, net	\$ 388,375,680	\$ 38,320,696	\$ -	\$ -	\$ 426,696,376

Depreciation expense for capital assets for the year ended June 30, 2020 was \$13,972,366.

Note 5 – Unearned Revenue

Unearned revenue consists of grant monies, student fees, and other revenues that have been received as of June 30, 2020 for the subsequent 2020-2021 year. As of June 30, 2020, the District's unearned revenue balance consists of the following:

	Fiduciary			Total
	Business-Type Activities	Fund Financial Statements	Foundation	
Federal sources	\$ 252,772	\$ -	\$ -	\$ 252,772
State sources	8,222,650	-	-	8,222,650
Enrollment fees	2,298,933	-	-	2,298,933
Other local sources	2,032,321	-	-	2,032,321
Total	\$ 12,806,676	\$ -	\$ -	\$ 12,806,676

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>	<u>Due In More</u> <u>Than One Year</u>
Bonds payable:						
Lease Revenue Bonds	\$ 695,000	\$ -	\$ (100,000)	\$ 595,000	\$ 105,000	\$ 490,000
GO Bond 2004	12,993,974	-	-	12,993,974	-	12,993,974
GO Bond 2008, Series C	65,490,370	-	(440,000)	65,050,370	545,000	64,505,370
GO Bond 2008, Series D	115,984,325	-	-	115,984,325	276,219	115,708,106
GO Bond 2015, Refunding	21,040,000	-	(2,230,000)	18,810,000	2,460,000	16,350,000
GO Bond 2016, Refunding Series A	3,400,000	-	-	3,400,000	1,600,000	1,800,000
GO Bond 2016, Refunding Series B	84,335,000	-	-	84,335,000	-	84,335,000
GO Bond 2016, Series A	127,900,000	-	(13,350,000)	114,550,000	10,790,000	103,760,000
Unamortized premiums	32,091,206	-	(2,107,575)	29,983,631	-	29,983,631
Total bonds payable	<u>463,929,875</u>	<u>-</u>	<u>(18,227,575)</u>	<u>445,702,300</u>	<u>15,776,219</u>	<u>429,926,081</u>
Compensated absences	3,061,828	3,048,991	(2,107,791)	4,003,028	2,500,000	1,503,028
Total	<u>\$ 466,991,703</u>	<u>\$ 3,048,991</u>	<u>\$ (20,335,366)</u>	<u>\$ 449,705,328</u>	<u>\$ 18,276,219</u>	<u>\$ 431,429,109</u>

Lease Revenue Bonds

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

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

The District pledged all lease revenue to repay the outstanding principal and interest of the Lease Revenue Bonds. Total principal and interest remaining on the bonds at June 30, 2020 is \$647,684 payable through 2024.

The annual requirements for debt service outstanding at June 30, 2020 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 105,000	\$ 20,044	\$ 125,044
2022	115,000	15,931	130,931
2023	115,000	11,834	126,834
2024	260,000	4,875	264,875
Total	<u>\$ 595,000</u>	<u>\$ 52,684</u>	<u>\$ 647,684</u>

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Long-Term Debt (Continued)

General Obligation Bonds – 2004

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

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

The annual requirements for debt service outstanding at June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	-	-	-
2024	-	1,237,906	1,237,906
2025	1,434,188	2,609,247	4,043,435
2026-2030	11,559,786	25,593,873	37,153,659
Total	\$ 12,993,974	\$ 29,441,026	\$ 42,435,000

General Obligation Bonds – 2008, Series C and D

On October 22, 2009, as authorized by the registered voters of the Southwestern Community College District in the election of November 4, 2008, the District issued \$10,225,000 of Election of 2008 General Obligation Bonds, Series A, and \$89,775,000 of Election of 2008 General Obligation Bonds, Series B bonds. The Series A bonds are tax exempt. The Series B bonds were issued as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series B bonds on or about each interest payment date. The cash payment does not constitute the full faith and credit of the United States, but is required to be paid by the Treasury under the Recovery Act. Interest is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010 at 5.5%. The bonds are being issued to finance the repair, construction, acquisition and equipping of certain District sites and facilities and to pay costs of issuance with the bonds. The bonds were issued at a premium of \$1,212,387. In fiscal year 2018, both the Election of 2008 General Obligation Bonds, Series A and Series B were refunded via issuance of the General Obligation Refunding Bonds, Series A and Series B. At June 30, 2020, the outstanding balances of the refunded issuances remaining to be paid through a non-revocable trust were \$3,260,000 and \$89,775,000 for the Election of 2008 General Obligation Bonds, Series A and Series B, respectively. The District’s liability was \$0 for both at June 30, 2020.

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Long-Term Debt (Continued)

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

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

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

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

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

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

The annual requirements for debt service outstanding at June 30, 2020 are as follows:

Year Ending June 30,	SERIES C		
	Principal	Interest	Total
2021	\$ 545,000	\$ 2,763,238	\$ 3,308,238
2022	655,000	2,733,238	3,388,238
2023	775,000	2,697,488	3,472,488
2024	900,000	2,655,613	3,555,613
2025	1,035,000	2,607,238	3,642,238
2026-2030	7,510,000	12,052,063	19,562,063
2031-2035	12,490,000	9,535,856	22,025,856
2036-2040	19,565,000	5,440,238	25,005,238
2041-2045	18,608,012	62,617,096	81,225,108
2046-2047	2,967,358	32,553,737	35,521,095
Total	\$ 65,050,370	\$ 135,655,805	\$ 200,706,175

Year Ending June 30,	SERIES D		
	Principal	Interest	Total
2021	\$ 276,219	\$ 3,726,780	\$ 4,002,999
2022	547,488	3,785,512	4,333,000
2023	812,378	3,875,622	4,688,000
2024	1,063,335	3,994,665	5,058,000
2025	1,304,776	4,153,224	5,458,000
2026-2030	9,413,478	24,581,520	33,994,998
2031-2035	13,005,192	34,565,805	47,570,997
2036-2040	15,701,459	49,212,541	64,914,000
2041-2045	73,860,000	10,069,750	83,929,750
Total	\$ 115,984,325	\$ 137,965,419	\$ 253,949,744

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Long-Term Debt (Continued)

General Obligation Refunding Bonds – 2015

In August 2014, the District authorized the sale and issuance of 2015 General Obligation Refunding Bonds, in the amount of \$27,045,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District’s 2005 General Obligation Bonds, Election of 2000, Series 2005. Interest is payable February 1 and August 1, commencing August 1, 2015 at 5.0%. Principal is payable August 1, commencing August 1, 2015 and through the maturity date February 1, 2026. The bonds were issued at a premium of \$4,030,391 and the refunding transaction resulted in a deferred loss on refunding of \$1,823,862 to be amortized through the remaining life of the new bonds. The aggregate debt service payments of the new debt are \$3,698,626 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt service payments) of approximately \$3,247,455. Total principal and interest remaining on the bonds as of June 30, 2020 is \$21,877,750.

The annual requirements for debt service outstanding at June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 2,460,000	\$ 879,000	\$ 3,339,000
2022	2,710,000	749,750	3,459,750
2023	2,970,000	607,750	3,577,750
2024	3,250,000	452,250	3,702,250
2025	3,550,000	282,250	3,832,250
2026	3,870,000	96,750	3,966,750
Total	\$ 18,810,000	\$ 3,067,750	\$ 21,877,750

General Obligation Refunding Bonds – 2016 Series A and B

In August 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 3.0% to 5.0%. Principal is payable August 1, commencing August 1, 2020 and August 1, 2022 for Series A and B, respectively, and through the maturity dates of August 1, 2021 and August 1, 2039 for Series A and B, respectively. The bonds were issued at premiums of \$335,362 and \$13,491,677, for Series A and B, respectively, and the refunding transaction resulted in a deferred loss on refunding of \$4,123,345 to be amortized through the remaining life of the new bonds. The aggregate debt service payments of the new debt are \$7,438,394 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt service payments) of approximately \$13,147,462.

The bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District has pledged *ad valorem* property tax levied and collected to pay repay the outstanding principal and interest of the bonds. Total principal and interest remaining on the bonds as of June 30, 2020 is \$3,505,000 and \$128,614,650 for Series A and Series B, respectively.

The annual requirements for debt service outstanding at June 30, 2020 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2021	\$ 1,600,000	\$ 78,000	\$ 1,678,000
2022	1,800,000	27,000	1,827,000
Total	\$ 3,400,000	\$ 105,000	\$ 3,505,000

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Long-Term Debt (Continued)

General Obligation Refunding Bonds – 2016 Series A and B (Continued)

Year Ending June 30,	SERIES B		
	Principal	Interest	Total
2021	\$ -	\$ 3,391,100	\$ 3,391,100
2022	-	3,391,100	3,391,100
2023	1,905,000	3,353,000	5,258,000
2024	2,150,000	3,271,900	5,421,900
2025	2,390,000	3,181,100	5,571,100
2026-2030	16,345,000	14,006,000	30,351,000
2031-2035	25,200,000	9,847,350	35,047,350
2036-2040	36,345,000	3,838,100	40,183,100
Total	\$ 84,335,000	\$ 44,279,650	\$ 128,614,650

At June 30, 2020, the refunded 2008 General Obligation Bonds, Series A and Series B had remaining balances to be paid through escrow of \$3,260,000 and \$89,775,000, respectively. The District has no liability for them.

General Obligation Bonds – 2016 Series A

On November 9, 2016, voters of the District approved ballot Proposition Z, which allowed the District to issue up to \$400 million in general obligation bonds to repair/upgrade the campus and to provide job training and support for students and veterans. On November 30, 2017, the District issued \$140,000,000 of Election of 2016, General Obligation Bonds, Series A. The bonds were issued at a premium of \$10,216,377. Net proceeds of \$139,266,675 were deposited in the District’s building fund and \$10,216,277 was deposited in the debt service fund.

The bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of San Diego County is empowered and is obligated to levy *ad valorem* taxes for the payment of interest on and principal of the bonds when due. The District has pledged *ad valorem* property tax levied and collected to pay repay the outstanding principal and interest of the bonds. Total principal and interest remaining on the bonds as of June 30, 2020 is \$199,979,432.

The annual requirements for debt service outstanding at June 30, 2020 are as follows:

Year Ending June 30,	SERIES A		
	Principal	Interest	Total
2021	\$ 10,790,000	\$ 4,345,743	\$ 15,135,743
2022	-	4,129,943	4,129,943
2023	-	4,129,943	4,129,943
2024	160,000	4,127,543	4,287,543
2025	335,000	4,118,443	4,453,443
2026-2030	4,950,000	20,059,965	25,009,965
2031-2035	12,165,000	18,158,215	30,323,215
2036-2040	21,830,000	14,953,765	36,783,765
2041-2045	34,995,000	9,583,372	44,578,372
2046-2048	29,325,000	1,822,500	31,147,500
Total	\$ 114,550,000	\$ 85,429,432	\$ 199,979,432

Compensated Absences

The District’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$4,003,028 at June 30, 2020.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Other Postemployment Benefits

A. Summary

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 16,773,915	\$ 7,115,124	\$ 4,576,409	\$ 1,833,647
Medicare Premium Payment (MPP) Program	446,876	-	-	14,114
	<u>\$ 17,220,791</u>	<u>\$ 7,115,124</u>	<u>\$ 4,576,409</u>	<u>\$ 1,847,761</u>

B. District’s Plan

Plan Description

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

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

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

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

Employees Covered by Benefit Terms

	<u>OPEB</u>
Inactive employees entitled to but not yet receiving benefits	<u>197</u>
Active Employees	<u>557</u>
	<u>754</u>

Contributions

Through June 30, 2013, the District had contributed \$3.2 million to an irrevocable trust with the Community College League of California – Joint Powers Authority (CCLC-JPA). The District contributed \$990,669 during fiscal year 2020. At June 30, 2020, the market value of the irrevocable trust was \$5,995,448.

The obligation of the District to contribute to the plan is established and may be amended by the Board of Directors. The Board of Directors has established a policy of funding the actuarially determined contribution (ADC). For the fiscal year ended June 30, 2020, the District’s average contribution rate was 0.33 % of covered-employee payroll. Employees are not required to contribute to the plan.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Other Postemployment Benefits (Continued)

B. District’s Plan (Continued)

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2019, and the actuarial valuation used to calculate the net OPEB liability was as of June 30, 2019.

Actuarial Assumptions Used to Determine the Total OPEB Liability

The net OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry age normal
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Assumptions:	
Discount Rate	4.14%
Inflation	2.75%
Expected Net Long-Term Rate of Return on Investments	4.40%
Mortality Rate Table	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2019
Salary Increases	3.00%
Medical Trend	5.00%

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 OPEB plan 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Expected Real Rate of Return
US Large Cap	60.00%	7.80%
US Small Cap	15.00%	7.80%
Long-Term Corporate Bonds	20.00%	5.30%
Short-Term Government Fixed	5.00%	3.25%
	100.00%	7.07%

Discount Rate

The discount rate used to measure the total OPEB liability was 4.14 percent, which was changed from 4.40 percent in the 2019. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Town 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.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Other Postemployment Benefits (Continued)

B. District’s Plan (Continued)

Net OPEB Liability (Continued)

Changes in Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2018	\$ 23,961,720	\$ 4,519,930	\$ 19,441,790
Changes during the year:			
Service costs	793,547	-	793,547
Interest on the total OPEB liability	1,068,759	-	1,068,759
Changes of benefit terms	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Differences between actual and expected experience	(5,010,993)	-	(5,010,993)
Change in assumptions	2,348,340	-	2,348,340
Contributions - employer	-	1,574,788	(1,574,788)
Contribution - employer (paid by employer)	-	-	-
Net investment income	-	297,375	(297,375)
Administrative expenses	-	(4,635)	4,635
Benefit Payments, including refunds of employee contributions	(940,706)	(940,706)	-
Net changes	<u>(1,741,053)</u>	<u>926,822</u>	<u>(2,667,875)</u>
Balance at June 30, 2019	<u>\$ 22,220,667</u>	<u>\$ 5,446,752</u>	<u>\$ 16,773,915</u>

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

The following presents the net OPEB liability of the plan as of the measurement date, calculated using the discount rate of 4.14%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.14%) or 1 percentage point higher (5.14%) than the current rate:

<u>Plan's Net OPEB Liability</u>		
<u>Discount Rate - 1%</u> <u>(3.14%)</u>	<u>Current Discount</u> <u>Rate (4.14%)</u>	<u>Discount Rate + 1%</u> <u>(5.14%)</u>
\$ 19,784,980	\$ 16,773,915	\$ 14,281,342

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the plan as of the measurement date, calculated using healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculate using a trend that are one percentage point lower or one percentage higher than the current healthcare cost trend rates:

<u>Plan's Net OPEB Liability</u>		
<u>Cost Trend Rate - 1%</u> <u>(6.00 to 4.50%)</u>	<u>Healthcare Cost Trend Rate</u> <u>Current (5.00 to 3.50%)</u>	<u>Cost Trend Rate + 1%</u> <u>(7.00 to 5.50%)</u>
\$ 14,116,308	\$ 16,773,915	\$ 20,097,886

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Other Postemployment Benefits (Continued)

B. District’s Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after measurement date	\$ 990,669	\$ -
Difference between expected and actual experience	-	4,509,894
Changes in assumptions	6,091,913	-
Difference between expected and actual earnings on investments	32,542	66,515
Total	\$ 7,115,124	\$ 4,576,409

For the year ended June 30, 2020, the City recognized OPEB expense of \$1,833,647. The \$990,669 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as pension expense as follows:

Measurement Period Ended June 30	
2019	\$ 304,759
2020	304,759
2021	304,760
2022	326,929
2023	318,795
Thereafter	(11,956)
Total	\$ 1,548,046

C. Medicare Premium Payment Program

The District participates in the Medicare Premium Payment (MPP) Program of the California State Teachers’ Retirement Plan (the STRP). The District’s proportionate share of the liability as of measurement date, June 30, 2019, is 0.120%. As the plan activity and the District’s proportionate share of the total OPEB liability is not significant, additional disclosures regarding the plan are not included in these financial statements.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans

A. Summary

Net Pension Liability

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

	Net Pension Liability
CalPERS Pension Plan	\$ 58,764,137
CalSTRS Pension Plan	70,446,480
Total	\$ 129,210,617

Deferred Outflows of Resources

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

	Deferred Outflows of Resources		
	CalPERS	CalSTRS	Total
Pension contribution made after measurement date	\$ 5,650,990	\$ 7,766,966	\$ 13,417,956
Difference between expected and actual experience	4,268,635	-	4,268,635
Changes in assumptions	2,797,355	8,909,940	11,707,295
Difference between projected and actual earnings on pension plan investments	-	-	-
Difference between employer contribution and proportionate share of contributions	-	550,041	550,041
Total deferred outflows of resources	\$ 12,716,980	\$ 17,226,947	\$ 29,943,927

Deferred Inflows of Resources

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

	Deferred Inflows of Resources		
	CalPERS	CalSTRS	Total
Difference between expected and actual experience	\$ -	\$ 1,807,260	\$ 1,807,260
Difference between projected and actual earnings on pension plan investments	545,048	2,713,620	3,258,668
Difference between employer contribution and proportionate share of contributions	66,702	-	66,702
Changes in employer's proportionate share	9,756	2,100,482	2,110,238
Total deferred inflows of resources	\$ 621,506	\$ 6,621,362	\$ 7,242,868

Pension Expense

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

	Pension Expense
CalPERS Pension Plan	\$ 12,911,669
CalSTRS Pension Plan	10,491,000
Total	\$ 23,402,669

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), the active contribution rate was 7.0% (non-PEPRA) and 6.5% (PEPRA) of annual payroll. The required employer’s contribution rate was 15.531% of annual payroll.

For the year ended June 30, 2020, the plan’s proportionate share of aggregate employer contributions made was as follows:

	CalPERS Plan
Contributions - employer	\$ 5,650,990

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

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

As of June 30, 2020, the District reported net pension liability for its proportionate shares of the net pension liability as follows:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 6/30/18 (Valuation date)	\$ 182,973,443	\$ 129,631,149	\$ 53,342,294
Balance at: 6/30/19 (Measurement date)	196,189,936	137,425,799	58,764,137
Net Changes during 2018-2019	\$ 13,216,493	\$ 7,794,650	\$ 5,421,843

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2018). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-19).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	CalPERS Plan
Proportion June 30, 2018	0.20006%
Proportion June 30, 2019	0.20163%
Change - Increase (Decrease)	0.00157%

For the year ended June 30, 2020, the District recognized pension expense in the amount of \$12,911,669 for the Plan.

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2018-19 measurement period is 4.1 years, which was obtained by dividing the total service years of the active employees by the total number of participants (active, inactive, and retired).

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CalPERS Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after the measurement date	\$ 5,650,990	\$ -
Difference between projected and actual earning on pension plan investments	-	545,048
Difference between expected and actual experience	4,268,635	-
Changes in assumptions	2,797,355	-
Changes in employer's proportionate share	-	9,756
Difference between District contributions and proportionate share of contributions	-	66,702
Total	\$ 12,716,980	\$ 621,506

For the Plan, \$5,650,990 was reported as a deferred outflow of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2021	\$ 4,798,570
2022	798,541
2023	615,110
2024	232,263
2025	-
Thereafter	-
Total	\$ 6,444,484

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.15%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2014. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective July 1, 2017.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ An expected inflation of 2.00% was used for this period.

² An expected inflation of 2.92% was used for this period.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

B. CalPERS Pension Plan (Continued)

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

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

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
(6.15%)	Rate (7.15%)	(8.15%)
\$ 84,704,640	\$ 58,764,137	\$ 37,244,699

Pension Plan Fiduciary Net Position

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

C. CalSTRS Pension Plan

Plan Description

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

Under State Teachers’ Retirement Law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminate employees as of June 30, 2020.

Benefits Provided

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

Benefits Provided (Continued)

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalSTRS’ annual actuarial valuation process. For public agency cost-sharing plans, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), the active contribution rate was 10.25% of annual payroll for the Plan. The average employer’s contribution rate was 16.28% for the Plan.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. These amounts are reported as both revenues and expenditures of the District. Accordingly, these amounts have been recorded in these financial statements. Contributions each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

For the year ended June 30, 2020, the Plan’s proportionate share of aggregate employer contributions made for the Plan was as follows:

	CalSTRS Plan
Contributions - employer	\$ 7,766,966
Contributions - State on-behalf payments	3,707,448
Total contributions	\$ 11,474,414

On-Behalf payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2018	11.700%	\$ 2,907,777
2019	11.700%	3,286,017
2020	11.700%	3,707,448

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

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 for the Plan using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

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

As of June 30, 2020, 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 shares 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:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 6/30/18 (Valuation date)	\$ 237,582,000	\$ 168,651,750	\$ 68,930,250
Balance at: 6/30/19 (Measurement date)	256,758,840	186,312,360	70,446,480
Net Changes during 2018-2019	<u>\$ 19,176,840</u>	<u>\$ 17,660,610</u>	<u>\$ 1,516,230</u>

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2018). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-19).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District’s proportionate share of the net pension liability as of June 30, 2018 and 2019 was as follows:

	<u>CalSTRS Plan</u>
Proportion June 30, 2018	0.07500%
Proportion June 30, 2019	0.07800%
Change - Increase (Decrease)	<u>0.00300%</u>

For the year ended June 30, 2020, the District recognized pension expense in the amount of \$10,491,000 for the Plan.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

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

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2018-19 measurement period is 7 years.

At June 30, 2020, 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
Contributions made after the measurement date	\$ 7,766,966	\$ -
Difference between projected and actual earning on pension plan investments	-	2,713,620
Difference between expected and actual experience	-	1,807,260
Changes in assumptions	8,909,940	-
Changes in employer's proportionate share	-	2,100,482
Difference between District contributions and proportionate share of contributions	550,041	-
Total	\$ 17,226,947	\$ 6,621,362

For the Plan, \$7,766,966 was reported as deferred outflows of resources related to pensions resulting from District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2021	\$ 41,826
2022	(730,230)
2023	1,122,761
2024	1,866,505
2025	341,662
Thereafter	196,095
Total	\$ 2,838,619

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Salary Increases	3.50%
Investment Rate of Return	7.00%, net of investment and administrative expenses
Mortality Rate Table	Custom tables based on RP2016 series tables adjusted to fit CalSTRS experience
Post Retirement Benefit Increase	2.00% simple for DB, Not applicable for DBS/CBB

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015, including updates to salary increase, mortality and retirement rates.

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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expenses occur mid-year. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 10 basis points. An investment return excluding administrative expenses would have been 7.0%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (“Consultant”) as an input to the process. Based on the model from CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Pension Plans (Continued)

C. CalSTRS Pension Plan (Continued)

The assumed asset allocation by the Consultant is based on CalSTRS board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as an input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return ¹
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
	<u>100%</u>	

¹20-year geometric average

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
\$ 104,900,640	\$ 70,446,480	\$ 41,877,420

Pension Plan Fiduciary Net Position

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

Note 9 – Risk Management

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

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

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

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Joint Ventures (Joint Powers Agreement)

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

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

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

Note 11 – Commitments and Contingencies

Litigation

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

Grants and Contracts

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

Construction Contracts

In addition to construction amounts in accounts payable and accrued liabilities, the District has construction commitments of approximately \$43,103,805 remaining on open construction contracts as of June 30, 2020.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The ultimate financial impact and duration cannot be estimated at this time.

Note 12 – Deficit Net Position

At June 30, 2020 the District had an unrestricted net position deficit of \$(107,854,615) and a total net position deficit of \$(16,660,259). These deficits were caused by the reporting of the net pension liability and net OPEB liability.

Southwestern Community College District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 13 – Subsequent Events

COVID-19 Pandemic

The Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund allocated funding of \$9.2 million to the District. At least half of this funding must be distributed directly to students as emergency aid for expenses related to the disruption of campus operations during the pandemic. During the year ended June 30, 2020, \$2.7 million was disbursed to qualifying students and recorded as revenue within Grants and contracts, non-capital federal, and as expense within Payments to students on the Statement of Activities. The District expects to disburse the remainder of these funds during the fiscal year ending June 30, 2021.

Bond Issuance

In July 2020, the District authorized the sale and issuance of the Election of 2008 General Obligation Bonds Series 2020E-1 and E-2 in the amount of \$25,000,000 (plus original issue premium of \$4,412,287) and the Election of 2016 General Obligation Bonds Series 2020B-1 and 2020B-2 in the amount of \$30,000,000 (plus original issue premium of \$4,251,285). These bonds are being issued to (i) finance the acquisition, construction, modernization, and equipping of District sites and facilities, (ii) pay a portion of the debt service on the bonds, and (iii) pay certain costs of issuance. The District also authorized the sale and issuance of the 2020 General Obligation Refunding Bonds in the amount of \$56,530,000. The proceeds of these bonds were used to (i) advance refund a portion of the District's Election of 2008 General Obligation Bonds, Series C and (ii) pay certain costs of issuance. The bonds are payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021.

The bonds are general obligations of the District, secured and payable solely from ad valorem property taxes collected against taxable properties within the boundaries of the District. The Bonds are general obligations of the District only and are not obligations of San Diego County, the State of California or any of its other political subdivisions. The Board of Supervisors of San Diego County has the power and is obligated to levy and collect ad valorem property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank..

Southwestern Community College District
Schedule of Changes in Proportionate Share of the Net Pension Liability
Last Ten Years
For the Year Ended June 30, 2020

California Public Employees' Retirement System ("CalPERS")

Measurement Period	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
District's Proportion of the Net Pension Liability	0.20990%	0.20900%	0.19845%	0.20098%	0.20006%	0.20163%
District's Proportionate Share of the Net Pension Liability	\$ 23,828,761	\$ 30,806,804	\$ 39,193,398	\$ 47,979,230	\$ 53,342,294	\$ 58,764,137
District's Covered-Employee Payroll	\$ 22,245,705	\$ 23,993,385	\$ 24,031,265	\$ 24,659,008	\$ 26,109,642	\$ 28,504,767
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	107.12%	128.40%	163.09%	194.57%	204.30%	206.16%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.38%	79.43%	79.43%	71.87%	70.85%	70.05%

California State Teachers' Retirement System ("CalSTRS")

Measurement Period	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
District's Proportion of the Net Pension Liability	0.08000%	0.08000%	0.07787%	0.07400%	0.07500%	0.07800%
District's Proportionate Share of the net Pension Liability	\$ 46,749,600	\$ 53,859,200	\$ 62,982,608	\$ 68,434,460	\$ 68,930,250	\$ 70,446,480
District's Covered-Employee Payroll	\$ 35,763,671	\$ 39,853,588	\$ 38,688,844	\$ 39,727,305	\$ 41,966,316	\$ 43,904,504
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	130.72%	135.14%	162.79%	172.26%	164.25%	160.45%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	76.52%	74.02%	74.02%	69.46%	70.99%	72.56%

Notes to Schedule:

Changes in assumptions In 2017, CalPERS the accounting discount rate reduced from 7.65 percent to 7.15

Changes in assumptions In 2017, CalSTRS the accounting discount rate reduced from 7.60 percent to 7.10

* Information is only available for periods in which GASB 68 is applicable.

**Southwestern Community College District
Schedules of Contributions
Last Ten Years
For the Year Ended June 30, 2020**

California Public Employees' Retirement System ("CalPERS")							
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$ 2,545,353	\$ 2,824,261	\$ 2,824,088	\$ 3,424,643	\$ 4,055,088	\$ 5,119,561	\$ 5,650,990
Contribution in Relation to the Actuarially Determined Contribution	(2,545,353)	(2,824,261)	(2,824,088)	(3,424,643)	(4,055,088)	(5,119,561)	(5,650,990)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 22,245,705	\$ 23,993,385	\$ 24,713,187	\$ 24,659,008	\$ 26,109,642	\$ 28,504,767	\$ 28,879,071
Contributions as a Percentage of Covered Payroll	11.44%	11.77%	11.43%	13.89%	15.53%	17.96%	19.57%

California State Teachers' Retirement System ("CalSTRS")							
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Actuarially Determined Contribution	\$ 2,954,523	\$ 3,539,234	\$ 4,510,356	\$ 4,997,695	\$ 6,055,739	\$ 7,178,963	\$ 7,766,966
Contribution in Relation to the Actuarially Determined Contribution	(2,954,523)	(3,539,234)	(4,510,356)	(4,997,695)	(6,055,739)	(7,178,963)	(7,766,966)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 35,763,671	\$ 39,853,588	\$ 41,049,196	\$ 39,727,305	\$ 41,966,316	\$ 43,904,504	\$ 45,506,865
Contributions as a Percentage of Covered Payroll	8.26%	8.88%	10.99%	12.58%	14.43%	16.35%	17.07%

* Information is only available for periods in which GASB 68 is applicable.

Notes to Schedule

Benefit Changes: There were no changes to benefit terms that applied to all members of the Schools Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Southwestern Community College District
Schedule of Changes in Net OPEB Liabilities and Related Ratios – District’s Plan
Last Ten Years
For the Year Ended June 30, 2020

Measurement period, year ended:	2018 <u>2016-2017</u>	2019 <u>2017-2018</u>	2020 <u>2018-2019</u>
Total OPEB liability			
Service cost	\$ 781,846	\$ 803,347	\$ 793,547
Interest	1,103,513	793,810	1,068,759
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	(5,010,993)
Changes of assumptions	-	5,148,527	2,348,340
Benefit payments, including refunds of member contributions	(838,883)	(846,834)	(940,706)
Net change in total OPEB liability	<u>1,046,476</u>	<u>5,898,850</u>	<u>(1,741,053)</u>
Total OPEB liability - beginning	<u>17,016,394</u>	<u>18,062,870</u>	<u>23,961,720</u>
Total OPEB liability - ending (a)	<u>\$ 18,062,870</u>	<u>\$ 23,961,720</u>	<u>\$ 22,220,667</u>
OPEB fiduciary net position			
Contributions - employer	\$ 1,180,577	\$ 846,834	\$ 1,574,788
Net investment income	345,663	296,861	297,375
Benefit payments, including refunds of member contributions	(838,883)	(846,834)	(940,706)
Administrative expense	(500)	(4,488)	(4,635)
Net change in plan fiduciary net position	<u>686,857</u>	<u>292,373</u>	<u>926,822</u>
Plan fiduciary net position - beginning	<u>3,540,700</u>	<u>4,227,557</u>	<u>4,519,930</u>
Plan fiduciary net position - ending (b)	<u>4,227,557</u>	<u>4,519,930</u>	<u>5,446,752</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 13,835,313</u>	<u>\$ 19,441,790</u>	<u>\$ 16,773,915</u>
Plan fiduciary net position as a percentage of the total OPEB liability	23.40%	18.86%	24.51%
Covered payroll	\$ 48,511,146	\$ 49,966,480	\$ 57,833,973
Plan net OPEB liability as a percentage of covered payroll	28.52%	38.91%	29.00%

* Information is only available for periods in which GASB 75 is applicable.

**Southwestern Community College District
Schedule of OPEB Contributions – District’s Plan
Last Ten Years
For the Year Ended June 30, 2020**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Actuarially determined contribution	\$ 1,180,577	\$ 878,349	\$ 2,415,840	\$ 990,669
Contribution in relation to the actuarially determined contribution	<u>(1,180,577)</u>	<u>(878,349)</u>	<u>(1,574,788)</u>	<u>(990,669)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,052</u>	<u>\$ -</u>
Covered-employee payroll	\$ 48,511,146	\$ 49,966,480	\$ 57,833,973	\$ 59,568,992
Contributions as a percentage of covered-employee payroll	2.43%	1.76%	4.18%	1.66%

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

FUNDS OF THE DISTRICT

The following funds are included in the combining financial statements of the District. They are included as supplementary information in accordance with the requirements of the State Department of Education, California Community College Chancellor's Office's (the "CCCCO") Contracted District Audit Manual.

General Fund - Unrestricted - This fund is the primary operating account of the District and is used to account for resources which are not required to be accounted for in another fund. The fund includes the general activities of the District and other administrative functions.

General Fund - Restricted - This fund is used to account for categorical and other restricted resources of the District.

Capital Outlay Fund - This fund is used to account for the acquisition or construction of major property, equipment, or facilities.

Prop R Bond Fund - This fund is used to account for the acquisition or construction of major property, equipment, or facilities from funds provided through Proposition R.

Prop Z Bond Fund - This fund is used to account for the acquisition or construction of major property, equipment, or facilities from funds provided through Proposition Z.

Student Center Fund - This fund is used to account for the operations of the Student Center.

Bond Interest and Redemption Fund - This fund is used to account for property tax revenues and the payment of debt service.

Bookstore Fund - This enterprise fund is used to account for the operations of the Southwestern Community College bookstore.

Cafeteria Fund - This enterprise fund is used to account for the operations of the Southwestern Community College cafeteria and other various cafes on campus.

Federal Financial Aid Fund - This fund is used to account for federal financial aid receipts and payments to students.

Facilities Lease Fund - This fund is used to account for facilities leases.

Fitness Center Fund - This fund is used to account for the operations of the fitness center.

Self Insurance Fund - This fund is used to account for the District's self-insurance claims.

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances
June 30, 2020

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Prop Z Bond Fund
ASSETS					
Current assets:					
Cash and investments	\$ 23,941,536	\$ 6,287,226	\$ 3,114,344	\$ -	\$ -
Accounts receivable	6,908,049	5,982,963	12,208	51	364,919
Inventories	57,657	-	-	-	-
Prepaid items	5,475	-	-	-	-
Due from other funds	869,081	-	-	21,794	-
Due from Fiduciary	60,926	-	-	-	-
Restricted cash and investments	-	-	-	11,849	79,929,385
Total current assets	<u>31,842,724</u>	<u>12,270,189</u>	<u>3,126,552</u>	<u>33,694</u>	<u>80,294,304</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	-	-
Capital assets, net	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 31,842,724</u>	<u>\$ 12,270,189</u>	<u>\$ 3,126,552</u>	<u>\$ 33,694</u>	<u>\$ 80,294,304</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,929,605	\$ 910,926	\$ 224	\$ 4,322	\$ 5,033,166
Payroll and related liabilities	6,683,397	192,351	-	-	-
Compensated absences	4,003,028	-	-	-	-
Unearned revenue	2,367,652	10,340,462	-	-	-
Due to other funds	13,511	-	-	4,504	68,236
Due to Fiduciary	-	-	-	-	-
Total liabilities	<u>14,997,193</u>	<u>11,443,739</u>	<u>224</u>	<u>8,826</u>	<u>5,101,402</u>
Fund balances	<u>16,845,531</u>	<u>826,450</u>	<u>3,126,328</u>	<u>24,868</u>	<u>75,192,902</u>
Total liabilities and fund balances	<u>\$ 31,842,724</u>	<u>\$ 12,270,189</u>	<u>\$ 3,126,552</u>	<u>\$ 33,694</u>	<u>\$ 80,294,304</u>

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)
June 30, 2020

	Student Center	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid
ASSETS					
Current assets:					
Cash and investments	\$ 400,158	\$ -	\$ 1,065,448	\$ 262,063	\$ 588,185
Accounts receivable	539	-	555,920	5,894	20,582
Inventories	-	-	990,680	54,679	-
Prepaid items	-	-	-	-	-
Due from other funds	166	-	12,804	541	-
Due from Fiduciary	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total current assets	<u>400,863</u>	<u>-</u>	<u>2,624,852</u>	<u>323,177</u>	<u>608,767</u>
Noncurrent assets:					
Restricted cash and investments	-	26,694,252	-	-	-
Capital assets, net	-	-	-	2,881	-
Total noncurrent assets	<u>-</u>	<u>26,694,252</u>	<u>-</u>	<u>2,881</u>	<u>-</u>
Total assets	<u>\$ 400,863</u>	<u>\$ 26,694,252</u>	<u>\$ 2,624,852</u>	<u>\$ 326,058</u>	<u>\$ 608,767</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 56,787	\$ 32,737	\$ 16
Payroll and related liabilities	-	-	-	-	-
Compensated absences	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	196,685	400,501	16,766
Due to Fiduciary	-	-	-	30,000	-
Total liabilities	<u>-</u>	<u>-</u>	<u>253,472</u>	<u>463,238</u>	<u>16,782</u>
Fund balances	<u>400,863</u>	<u>26,694,252</u>	<u>2,371,380</u>	<u>(137,180)</u>	<u>591,985</u>
Total liabilities and fund balances	<u>\$ 400,863</u>	<u>\$ 26,694,252</u>	<u>\$ 2,624,852</u>	<u>\$ 326,058</u>	<u>\$ 608,767</u>

Southwestern Community College District
Combining Schedule of Assets, Liabilities, and Fund Balances (Continued)
June 30, 2020

	Facilities Lease	Fitness Center	Self Insurance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 215,984	\$ 532,046	\$ 584,142	\$ 36,991,132
Accounts receivable	-	-	2,443	13,853,568
Inventories	-	22	-	1,103,038
Prepaid items	-	-	-	5,475
Due from other funds	-	-	-	904,386
Due from Fiduciary	-	-	-	60,926
Restricted cash and investments	-	-	-	79,941,234
Total current assets	<u>215,984</u>	<u>532,068</u>	<u>586,585</u>	<u>132,859,759</u>
Noncurrent assets:				
Restricted cash and investments	-	-	-	26,694,252
Capital assets, net	-	-	-	2,881
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,697,133</u>
Total assets	<u><u>\$ 215,984</u></u>	<u><u>\$ 532,068</u></u>	<u><u>\$ 586,585</u></u>	<u><u>\$ 159,556,892</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 525,756	\$ -	\$ 8,493,539
Payroll and related liabilities	-	18,840	-	6,894,588
Compensated absences	-	-	-	4,003,028
Unearned revenue	-	98,562	-	12,806,676
Due to other funds	204,183	-	-	904,386
Due to Fiduciary	-	-	-	30,000
Total liabilities	<u>204,183</u>	<u>643,158</u>	<u>-</u>	<u>33,132,217</u>
Fund balances	<u>11,801</u>	<u>(111,090)</u>	<u>586,585</u>	<u>126,424,675</u>
Total liabilities and fund balances	<u><u>\$ 215,984</u></u>	<u><u>\$ 532,068</u></u>	<u><u>\$ 586,585</u></u>	<u><u>\$ 159,556,892</u></u>

Southwestern Community College District
Reconciliation of Combining Schedule of Assets, Liabilities, and Fund Balances
to Basic Statement of Net Position
June 30, 2020

Total Fund Balances reported in the Combining Balance Sheet	\$ 126,424,675
Amounts reported in the Statement of Net Position are differently because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	
Government-Wide capital assets	426,696,376
Less enterprise funds capital assets	(2,881)
Total capital assets not reported in the funds	426,693,495
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Aggregate net pension liability	(129,210,617)
Net OPEB liability	(17,220,791)
Bonds payable - due within one year	(15,776,219)
Bonds payable - due in more than one year	(429,926,081)
Total long-term liabilities not reported in the funds	(592,133,708)
Deferred loss on bond refunding did not require current financial resources. Therefore, it is not reported in the governmental funds.	3,436,121
Deferred gain on bond refunding did not require current financial resources. Therefore, it is not reported in the governmental funds.	(828,946)
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
Pension-related deferred outflows	29,943,927
OPEB-related deferred outflows	7,115,124
Total actuarially determined deferred outflows of resources	37,059,051
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
Pension-related deferred inflows	(7,242,868)
OPEB-related deferred inflows	(4,576,409)
Total actuarially determined deferred inflows of resources	(11,819,277)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported in the governmental funds.	(6,449,288)
Net Position	\$ (17,617,877)

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position
For the Year Ended June 30, 2020

	General Fund - Unrestricted	General Fund - Restricted	Capital Outlay	Prop R Bond Fund	Prop Z Bond Fund
OPERATING REVENUES					
Tuition and fees	\$ 6,215,168	\$ 1,423,648	\$ -	\$ -	\$ -
Federal grant, non-capital	132,092	6,022,802	-	-	-
State grant, non-capital	-	-	-	-	-
Local grant, non-capital	1,167,203	545,942	591,463	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-
Other operating revenues	-	-	-	-	-
Total operating revenues	7,514,463	7,992,392	591,463	-	-
OPERATING EXPENDITURES/EXPENSES:					
Salaries	71,024,626	16,418,156	-	3,529	54,310
Employee benefits	26,755,394	5,304,585	-	378	12,245
Payments to students	308,646	1,663,330	-	-	-
Supplies, materials, and other expenses	8,143,679	8,109,309	98,181	4,694,732	48,182,731
Utilities	2,878,830	2,078	-	-	-
Depreciation	-	-	-	-	-
Total operating expenditures/expenses	109,111,175	31,497,458	98,181	4,698,639	48,249,286
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(101,596,712)	(23,505,066)	493,282	(4,698,639)	(48,249,286)
NONOPERATING REVENUE(EXPENSES):					
Federal grant, non-capital	-	-	-	-	-
State apportionments, non-capital	68,183,704	21,611,098	-	-	-
Local property taxes, non-capital	31,029,783	-	-	-	-
Investment income	624,568	-	52,670	30,012	2,103,015
Other non-operating revenue(expense)	639,875	345,707	-	-	-
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total non-operating expenditures/expenses	100,477,930	21,956,805	52,670	30,012	2,103,015
INCOME(LOSS) BEFORE TRANSFERS	(1,118,782)	(1,548,261)	545,952	(4,668,627)	(46,146,271)
TRANSFERS:					
Transfers in	-	1,346,587	-	-	-
Transfers out	(1,921,587)	-	-	-	-
Transfers	(1,921,587)	1,346,587	-	-	-
Changes in fund balance/net position	(3,040,369)	(201,674)	545,952	(4,668,627)	(46,146,271)
FUND EQUITY/NET POSITION:					
Beginning of year	19,885,900	1,028,124	2,580,376	4,693,495	121,339,173
End of year	<u>\$ 16,845,531</u>	<u>\$ 826,450</u>	<u>\$ 3,126,328</u>	<u>\$ 24,868</u>	<u>\$ 75,192,902</u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position (Continued)
For the Year Ended June 30, 2020

	Student Center	Bond Interest and Redemption Fund	Bookstore	Cafeteria	Federal Financial Aid
OPERATING REVENUES					
Tuition and fees	\$ 148,761	\$ -	\$ -	\$ -	\$ -
Federal grant, non-capital	-	-	-	-	4,591,916
State grant, non-capital	-	-	-	-	7,086,766
Local grant, non-capital	-	-	-	-	-
Auxiliary enterprise sales and charges	-	-	2,329,623	1,360,179	-
Other operating revenues	-	-	-	-	-
Total operating revenues	148,761	-	2,329,623	1,360,179	11,678,682
OPERATING EXPENDITURES/EXPENSES:					
Salaries	-	-	501,131	807,418	65,630
Employee benefits	-	-	172,811	234,850	-
Payments to students	-	-	-	-	41,613,303
Supplies, materials, and other expenses	-	-	1,767,832	842,363	-
Utilities	-	-	501	170	-
Depreciation	-	-	-	10,095	-
Total operating expenditures/expenses	-	-	2,442,275	1,894,896	41,678,933
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	148,761	-	(112,652)	(534,717)	(30,000,251)
NONOPERATING REVENUE(EXPENSES):					
Federal grant, non-capital	-	-	-	-	29,892,586
State apportionments, non-capital	-	-	-	-	-
Local property taxes, non-capital	-	28,487,421	-	-	-
Investment income	3,181	525,117	609	-	119
Other non-operating revenue(expense)	-	189,792	50,712	-	-
Debt service:					
Principal payment	(100,000)	(16,020,000)	-	-	-
Interest and fiscal charges	(23,645)	(17,353,045)	-	-	-
Total non-operating expenditures/expenses	(120,464)	(4,170,715)	51,321	-	29,892,705
INCOME(LOSS) BEFORE TRANSFERS	28,297	(4,170,715)	(61,331)	(534,717)	(107,546)
TRANSFERS:					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Transfers	-	-	-	-	-
Changes in fund balance/net position	28,297	(4,170,715)	(61,331)	(534,717)	(107,546)
FUND EQUITY/NET POSITION:					
Beginning of year	372,566	30,864,967	2,432,711	397,537	699,531
End of year	<u>\$ 400,863</u>	<u>\$ 26,694,252</u>	<u>\$ 2,371,380</u>	<u>\$ (137,180)</u>	<u>\$ 591,985</u>

Southwestern Community College District
Combining Schedule of Revenues, Expenditures/Expenses
and Changes in Fund Equity/Net Position (Continued)
For the Year Ended June 30, 2020

	Facilities Lease	Fitness Center	Self Insurance	Total
OPERATING REVENUES				
Tuition and fees	\$ -	\$ 1,076,878	\$ -	\$ 8,864,455
Federal grant, non-capital	-	-	-	10,746,810
State grant, non-capital	-	-	-	7,086,766
Local grant, non-capital	-	-	-	2,304,608
Auxiliary enterprise sales and charges	-	-	-	3,689,802
Other operating revenues	-	40,303	-	40,303
Total operating revenues	-	1,117,181	-	32,732,744
OPERATING EXPENDITURES/EXPENSES:				
Salaries	205,454	1,050,254	-	90,130,508
Employee benefits	76,575	266,047	-	32,822,885
Payments to students	-	-	-	43,585,279
Supplies, materials, and other expenses	44,228	256,870	353,333	72,493,258
Utilities	-	-	-	2,881,579
Depreciation	-	-	-	10,095
Total operating expenditures/expenses	326,257	1,573,171	353,333	241,923,604
OPERATING REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(326,257)	(455,990)	(353,333)	(209,190,860)
NONOPERATING REVENUE(EXPENSES):				
Federal grant, non-capital	-	-	-	29,892,586
State apportionments, non-capital	-	-	-	89,794,802
Local property taxes, non-capital	-	-	-	59,517,204
Investment income	-	16	12,836	3,352,143
Other non-operating revenue(expense)	338,058	-	-	1,564,144
Debt service:				
Principal payment	-	-	-	(16,120,000)
Interest and fiscal charges	-	-	-	(17,376,690)
Total non-operating expenditures/expenses	338,058	16	12,836	150,624,189
INCOME(LOSS) BEFORE TRANSFERS	11,801	(455,974)	(340,497)	(58,566,671)
TRANSFERS:				
Transfers in	-	575,000	-	1,921,587
Transfers out	-	-	-	(1,921,587)
Transfers	-	575,000	-	-
Changes in fund balance/net position	11,801	119,026	(340,497)	(58,566,671)
FUND EQUITY/NET POSITION:				
Beginning of year	-	(230,116)	927,082	184,991,346
End of year	<u>\$ 11,801</u>	<u>\$ (111,090)</u>	<u>\$ 586,585</u>	<u>\$ 126,424,675</u>

Southwestern Community College District
Reconciliation of Combining Schedule of Revenues, Expenditures/Expenses and Changes in
Fund Equity to Basic Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2020

Revenues and other financing sources over (under) expenditures/expenses and other financing use:	<u>\$ (58,566,671)</u>
Amounts reported in the Statement of Activities were different because:	
Capital outlay expenditures reported in the governmental funds that were not capitalized on the Government-Wide Statement of Net Position were reclassified as Supplies, Materials, and Other Expenses.	<u>53,186,134</u>
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation was not reported as an expenditure in governmental funds (net of \$10,300 in enterprise funds).	<u>(14,855,343)</u>
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, accrued interest was not reported as an expenditure in governmental funds.	<u>278,874</u>
Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:	
Lease revenue bonds	100,000
General Obligation bonds	<u>16,020,000</u>
Total repayment of long-term liabilities	<u>16,120,000</u>
Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.	
Bond premium and discount	(2,107,575)
Deferred gain and loss on refunding	<u>(18,049)</u>
Total amortization expenses	<u>(2,125,624)</u>
Changes in the net pension liability and related deferred outflows and deferred inflows reported in the Statement of Activities did not require the use of current financial resources and, therefore, were not reported as expenditures in the governmental funds.	<u>(7,274,195)</u>
Changes in the net OPEB liability and related deferred outflows and deferred inflows reported in the Statement of Activities did not require the use of current financial resources and, therefore, were not reported as expenditures in the governmental funds.	<u>(593,415)</u>
Change in Net Position	<u><u>\$ (9,615,090)</u></u>

This page intentionally left blank.

SINGLE AUDIT

This page intentionally left blank.



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Southwestern Community College District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2021.

Our report includes a reference to other auditors who audited the financial statements of the Southwestern College Foundation, a discretely presented component unit of the District as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

4365 Executive Drive, Suite 710, San Diego, California 92122

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

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

Purpose of this Report

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

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

San Diego, California
January 25, 2021



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the *OMB 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, 2020. 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.

Auditors' 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, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the accompanying basic financial statements of the District as of and for the year ended June 30, 2020, and the related notes to the financial statements. We issued our report thereon dated January 25, 2021 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Southwestern Community College District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure	Amount Provided to Subrecipients
U.S. Department of Education:					
Direct Programs:					
Financial Aid Cluster:					
	PELL	84.063	P063P131184	\$ 30,195,135	\$ -
	FSEOG	84.007	P0078130617	545,790	-
	Direct Loans	84.268	P268K131184	995,489	-
	Federal Work Study	84.033	P033A130617	433,149	-
			Total Financial Aid Cluster	<u>32,169,563</u>	<u>-</u>
Education Stabilization Fund Program:					
	COVID-19 - HEERF Student Aid Portion	84.425E	P425E201465	2,776,100	-
	COVID-19 - HEERF Institutional Portion	84.425F	P425L200442	1,369,357	-
	COVID-19 - HEERF Minority Serving Institutions	84.425L	P425F203699	46,292	-
			Total Education Stabilization Fund Program	<u>4,191,749</u>	<u>-</u>
	Child Care Access Means Parents in School (CCAMPIS)	84.335	P335A180234	157,140	-
	Puertas al Futuro - "Doorways to the Future"	84.031S	P031S140041	578,061	-
Passed through San Diego State University Research Foundation					
	Developing Effective Bilingual Educators with Resources	84.031S	P031S190108	51,158	-
			Sub-total	<u>629,219</u>	<u>-</u>
Passed through California Department of Education					
	Career and Technical Education - National Programs	84.051	11-C01-063	676,791	-
	Tech Prep, now CTE Transitions	84.051	11-112-090	46,195	-
			Sub-total	<u>722,986</u>	<u>-</u>
Passed through State of California Department of Rehabilitation:					
	State Vocational Rehabilitation Program	84.126A	29018/SCPRS 1324967	176,021	-
			Total U.S. Department of Education	<u>38,046,678</u>	<u>-</u>
U.S. Department of Agriculture:					
Passed through The Foundation for California Community Colleges:					
SNAP Cluster:					
	Fresh Success Program	10.561	FRS-010-17	14,408	-
			Total SNAP Cluster	<u>14,408</u>	<u>-</u>
			Total U.S. Department of Agriculture	<u>14,408</u>	<u>-</u>
U.S. Department of Defense:					
Direct Programs:					
	Procurement Technical Assistance (DLA)	12.002	SP4800-20-2-2049	596,350	-
			Total U.S. Department of Defense	<u>596,350</u>	<u>-</u>
U.S. Department of Housing and Urban Development:					
Passed through The Foundation for California Community Colleges:					
CDBG - Entitlement Grant Cluster:					
	Community Development Block Grant	14.218	CED-FY18-003-02	353,616	-
			Total CDBG - Entitlement Grant Cluster	<u>353,616</u>	<u>-</u>
			Total U.S. Department of Housing and Urban Development	<u>353,616</u>	<u>-</u>

Southwestern Community College District
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Agency	Grant Name/Program Name	CFDA No.	Agency or Pass-Through No.	Expenditure	Amount Provided to Subrecipients
<u>National Science Foundation:</u>					
Direct Programs:					
	Mentored Pathways	47.076	1929756	132,012	-
Passed through University of San Diego:					
	Malate Dehydrogenase Course	47.076	DUE-1726932	55	-
Passed through Jefferson Community College and Technical College:					
	Geopatial Technology Center of Excellence: "Growing the Workforce"	47.076	DUE-1700496	52,428	-
			Sub-total	184,495	-
			Total National Science Foundation	184,495	-
<u>Small Business Administration:</u>					
Direct Programs:					
	Women's Business Ownership Assistance	59.043	OWBO-2018-02	176,561	-
	COVID-19 - Women's Business Center	59.043	SBAHQ-20C0126	10,451	-
			Sub-total	187,012	-
Direct Programs:					
	2019 US SBA Grant	59.037	SBAHQ19B0054	509,172	264,157
	2020 US SBA Grant	59.037	SBAHQ20B0070	453,091	233,917
	COVID-19 - SBDC CARES Act	59.037	SBAHQ-20C0070	137,735	-
			Sub-total	1,099,998	498,074
			Total Small Business Administration	1,287,010	498,074
<u>U.S. Veterans Affairs Education Services Outreach:</u>					
Direct Programs:					
	Veterans Reporting Fees	64.270	38 USC 3684	10,791	-
			Total U.S. Department of Veterans Affairs	10,791	-
<u>U.S. Department of Justice:</u>					
Direct Programs:					
	San Diego Campus Violence Prevention Project Consortium	16.525	2018-WA-AX-0044	92,971	-
			Total U.S. Department of Justice	92,971	-
<u>U.S. Department of Homeland Security</u>					
Direct Programs:					
	Paramedic Refresher Training Course	97.036	AR3586.12	153	-
			Total U.S. Department of Homeland Security	153	-
			Total Expenditures of Federal Awards	\$ 40,586,472	\$ 498,074

Southwestern Community College District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1 – Reporting Entity

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

Note 2 – Schedule of Expenditures of Federal Awards

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

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

Note 3 – Indirect Cost Rate

The District did not use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – Amounts Passed Through to Subrecipients

The following schedule of amounts passed through to subrecipients includes the federal passthrough grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements set forth in the *2019-2020 Contracted District Audit Manual*.

<u>Subrecipient</u>	<u>CFDA</u>	<u>Amount</u>
San Diego Asian Business Association	59.037	\$ 21,565
CONNECT Foundation	59.037	50,056
East County Economic Development Council	59.037	26,890
Imperial Regional Alliance, Inc.	59.037	73,920
International Rescue Committee	59.037	54,168
MiraCosta College	59.037	157,730
University of San Diego	59.037	113,745
		<u>\$ 498,074</u>

Southwestern Community College District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Non-compliance material to the financial statements identified? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Major Program	CFDA	Expenditures
Financial Aid Cluster:		
PELL	84.063	\$ 30,195,135
FSEOG	84.007	545,790
Federal Direct Student Loans	84.268	995,489
Federal Work Study	84.033	433,149
Total Financial Aid Cluster		32,169,563
Education Stabilization Fund (ESF) Program:		
COVID-19 - HEERF Student Aid Portion	84.425E	2,776,100
COVID-19 - HEERF Institutional Portion	84.425F	1,369,357
COVID-19 - HEERF Minority Serving Institutions	84.425L	46,292
Total Education Stabilization Fund Program		4,191,749
Small Business Administration Grant Program:		
2019 US SBA Grant	59.037	509,172
2020 US SBA Grant	59.037	453,091
COVID-19 - SBDC CARES Act	59.037	137,735
Total Small Business Administration Grant Program		1,099,998
	Total Major Program Expenditures	\$ 37,461,310
	Total Expenditures of Federal Awards	\$ 40,586,472
	Percent of Total Expenditures of Federal Awards	92.30%

Dollar threshold used to distinguish between type A and type B programs \$1,217,594

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

Southwestern Community College District
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

Section II – Financial Statement Findings

A. Current Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2020.

B. Prior Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2019.

Section III – Federal Awards Findings

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

No findings or questioned costs were noted on the District’s major programs for the year ended June 30, 2020.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the District’s major programs for the year ended June 30, 2019.

This page intentionally left blank.

STATE COMPLIANCE

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited Southwestern Community College District's (the "District") compliance with the types of compliance requirements described in the California Community Colleges Contracted District Audit Manual (the "CDAM") 2019-2020, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2020. The District's State Compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance based on our audit of the types of compliance referred to 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 California Community Colleges Contracted Audit Manual (CDAM) 2019-2020, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed 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. Our audit does not provide legal determination on the District's compliance.

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

4365 Executive Drive, Suite 710, San Diego, California 92122

Tel: 858-242-5100 • Fax: 858-242-5150

www.pungroup.com

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 the laws and regulations applicable to the following items:

Section	Description	Procedures Performed
411	SCFF Data Management Control Environment	Yes
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Activities Funded from Other Sources	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment (CCAP and Non-CCAP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Fund	Yes
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D and 51 State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the 2019-2020 Contracted District Audit Manual. Accordingly, this report is not suitable for any other purpose.



San Diego, California
January 25, 2021

OTHER INFORMATION

This page intentionally left blank.

Southwestern Community College District
Other Information
Purpose of Schedules
For the Year Ended June 30, 2020

PURPOSE OF SCHEDULES

Schedule of Workload Measures for Program-Based Funding

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

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

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

Reconciliation of the 50% Calculation with Audited Financial Statements

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

Reconciliation of the Education Protection Account Expenditures with Audited Financial Statements

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

Schedule of Expenditures of State Awards

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

This page intentionally left blank.

Southwestern Community College District
Schedule of Workload Measures for State General Apportionment
and Annual Actual Attendance
For the Year Ended June 30, 2020

	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit	2.42	-	2.42
2. Credit	1,407.49	-	1,407.49
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,875.11	-	9,875.11
(b) Daily Census Contact Hours	712.68	-	712.68
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	163.16	-	163.16
(b) Credit	368.01	-	368.01
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,527.39	-	1,527.39
(b) Daily Census Contact Hours	743.25	-	743.25
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	14,799.51	-	14,799.51
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit	-	-	-
(b) Credit	555.82	-	555.82
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	-	-	-
Centers FTES			
(a) Noncredit	-	-	-
(b) Credit	-	-	-

This page intentionally left blank.

Southwestern Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311)
with Audited Financial Statements
For the Year Ended June 30, 2020

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

	General Fund Unrestricted	General Fund Restricted	Capital Outlay	Prop R Fund	Prop Z Fund	Student Center	Bond Interest and Redemption Fund	Bookstore
Fund balance/net position per the CCFS-311 at June 30, 2020	\$ 16,845,531	\$ 826,450	\$ 3,126,328	\$ 24,868	\$ 75,192,902	\$ 400,862	\$ 26,694,252	\$ 2,371,380
Audit adjustments	-	-	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	-	-	-	-	-	-	-	-
Net adjustments and reclassifications	-	-	-	-	-	-	-	-
Fund balance/net position per the audited fund financial statements at June 30, 2020	\$ 16,845,531	\$ 826,450	\$ 3,126,328	\$ 24,868	\$ 75,192,902	\$ 400,863	\$ 26,694,252	\$ 2,371,380

Southwestern Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311)
with Audited Financial Statements (Continued)
For the Year Ended June 30, 2020

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

	Cafeteria	Federal Financial Aid	Facilities Lease	Fitness Center	Self Insurance	Fiduciary Funds		
						ASO Student Clubs	Student Service Trust Funds	Student Fees Trust Funds
Fund balance/net position per the CCFS-311 at June 30, 2020	\$ (137,180)	\$ 591,985	\$ 11,801	\$ (111,090)	\$ 586,585	\$ 456,238	\$ 29,003	\$ 1,524
Audit adjustments	-	-	-	-	-	-	-	-
Miscellaneous adjustments and reclassifications	-	-	-	-	-	-	-	-
Net adjustments and reclassifications	-	-	-	-	-	-	-	-
Fund balance/net position per the audited fund financial statements at June 30, 2020	\$ (137,180)	\$ 591,985	\$ 11,801	\$ (111,090)	\$ 586,585	\$ 456,238	\$ 29,003	\$ 1,524

Southwestern Community College District
Reconciliation of 50% Calculation with
Audited Financial Statements
For the Year Ended June 30, 2020

	Object /TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries:							
Contract or Regular	1100	\$ 18,131,975	\$ -	\$ 18,131,975	\$ 18,131,975	\$ -	\$ 18,131,975
Other	1300	18,424,641	-	18,424,641	18,424,641	-	18,424,641
Total Instructional Salaries		<u>36,556,616</u>	<u>-</u>	<u>36,556,616</u>	<u>36,556,616</u>	<u>-</u>	<u>36,556,616</u>
Non-Instructional Salaries:							
Contract or Regular	1200	-	-	-	8,811,577	-	8,811,577
Other	1400	-	-	-	982,382	-	982,382
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>9,793,959</u>	<u>-</u>	<u>9,793,959</u>
Total Academic Salaries		<u>36,556,616</u>	<u>-</u>	<u>36,556,616</u>	<u>46,350,575</u>	<u>-</u>	<u>46,350,575</u>
<u>Classified Salaries</u>							
Non-Instructional Salaries:							
Regular Status	2100	-	-	-	18,039,076	-	18,039,076
Other	2300	-	-	-	2,119,676	-	2,119,676
Total Non-Instructional Salaries		<u>-</u>	<u>-</u>	<u>-</u>	<u>20,158,752</u>	<u>-</u>	<u>20,158,752</u>
Instructional Aides:							
Regular Status	2200	2,010,351	-	2,010,351	2,010,351	-	2,010,351
Other	2400	754,588	-	754,588	799,612	-	799,612
Total Instructional Aides		<u>2,764,939</u>	<u>-</u>	<u>2,764,939</u>	<u>2,809,963</u>	<u>-</u>	<u>2,809,963</u>
Total Classified Salaries		<u>2,764,939</u>	<u>-</u>	<u>2,764,939</u>	<u>22,968,715</u>	<u>-</u>	<u>22,968,715</u>
Employee Benefits	3000	11,318,106	-	11,318,106	22,760,026	-	22,760,026
Supplies and Materials	4000	-	-	-	1,254,228	-	1,254,228
Other Operating Expenses	5000	433,372	-	433,372	9,587,857	-	9,587,857
Equipment Replacement	6420	-	-	-	21,588	-	21,588
Total Expenditures Prior to Exclusions		<u>\$ 51,073,033</u>	<u>\$ -</u>	<u>\$ 51,073,033</u>	<u>\$ 102,942,989</u>	<u>\$ -</u>	<u>\$ 102,942,989</u>
<u>Exclusions</u>							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and							
Retirement Services	5900	\$ 1,163,265	\$ -	\$ 1,163,265	\$ 1,163,265	\$ -	\$ 1,163,265
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and							
Retirement Incentives	6740	-	-	-	1,268,527	-	-
Objects to Exclude:							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials:							
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay:							
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	65,483	-	65,483
Equipment - Additional	6410	-	-	-	14,377	-	14,377
Equipment - Replacement	6420	-	-	-	7,211	-	7,211
Total Capital Outlay		<u>-</u>	<u>-</u>	<u>-</u>	<u>87,071</u>	<u>-</u>	<u>87,071</u>
Other Outgo	7000	-	-	-	2,111,144	-	2,111,144
Total Exclusions		<u>\$ 1,163,265</u>	<u>\$ -</u>	<u>\$ 1,163,265</u>	<u>\$ 4,630,007</u>	<u>\$ -</u>	<u>\$ 3,361,480</u>
Total for ECS 84362, 50% Law		<u>\$ 49,909,768</u>	<u>\$ -</u>	<u>\$ 49,909,768</u>	<u>\$ 98,312,982</u>	<u>\$ -</u>	<u>\$ 99,581,509</u>
Percent of CEE (Instructional Salary Cost / Total CEE)		<u>50.77%</u>	<u>-</u>	<u>50.77%</u>	<u>100.00%</u>	<u>-</u>	<u>100.00%</u>
50% of Current Expense of Education					<u>\$ 49,156,491</u>	<u>-</u>	<u>\$ 49,790,755</u>

**Southwestern Community College District
 Reconciliation of Education Protection Account Expenditures
 with Audited Financial Statements
 For the Year Ended June 30, 2020**

Education Protection Account proceeds per the CCFS-311: \$ 7,272,385

	Activity Code (0100-5900)	Salaries & Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	\$ -	\$ 7,272,385	\$ -	\$ -	\$ 7,272,385

Southwestern Community College District
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2020

State Agency	Program Name	Cash Received	Accounts Receivable	Unearned Income	Total	Total Program Expenditures
State Department of Education						
Direct Programs:						
	AB104 - Adult Education Consortium Block Grant	\$ 1,095,667	\$ -	\$ 623,598	\$ 472,069	\$ 472,069
	Total direct programs	1,095,667	-	623,598	472,069	472,069
Passed through California Community College Chancellor's Office:						
	Deputy Sector Navigator (DSN)	39,917	80,000	-	119,917	119,917
	Instructional Equipment and Library	1,378,666	-	460,676	917,990	917,990
	Online CTE Pathways Grant	5,306	92,365	-	97,671	97,671
	Total passed through California Community Colleges Chancellor's Office	1,423,889	172,365	460,676	1,135,578	1,135,578
Passed through Umoja Community Education Foundation:						
	Umoja Community Education Foundation Grant	18,650	-	478	18,172	18,172
	Total passed through Umoja Community Education Foundation	18,650	-	478	18,172	18,172
	Total State Department of Education	2,538,206	172,365	1,084,752	1,625,819	1,625,819
California Community Colleges Chancellor's Office:						
Direct Programs:						
	Basic Skills	949,286	-	624,148	325,138	325,138
	EOPS Category A	2,475,209	-	196,149	2,279,060	2,279,060
	EOPS CARE Support	237,433	-	52,779	184,654	184,654
	DSPS Programs and Services	1,899,794	-	14,038	1,885,756	1,885,756
	California Work Opportunity and Responsibility for Kids (Calworks)	469,824	6,707	-	476,531	476,531
	Matriculation Assessment	3,504,455	-	-	3,504,455	3,504,455
	Matriculation Non Credit	71,926	-	51,617	20,309	20,309
	Temporary Cash Assistance for Needy Family (TANF)	33,517	43,268	-	76,785	76,785
	Nursing Education	200,190	-	-	200,190	200,190
	Guided Pathways Project	641,863	-	388,709	253,154	253,154
	Incarcerated Students Reentry Grants	45,454	99,597	-	145,051	145,051
	Food Security-Hunger Free	188,593	-	111,604	76,989	76,989
	Strong Workforce	4,231,459	-	2,244,270	1,987,189	1,987,189
	Staff Diversity	116,565	-	27,253	89,312	89,312
	BFAP Financial Aid Allowance	855,478	-	53,215	802,263	802,263
	Student Equity	2,161,895	-	200,236	1,961,659	1,961,659
	Veteran Resource Center	439,633	-	288,550	151,083	151,083
	Classified Professional Development	71,907	-	60,778	11,129	11,129
	California Promise Program	1,533,689	-	831,444	702,245	702,245
	Mental Health	110,736	-	51,050	59,686	59,686
Passed through Santa Clarita CCD:						
	Innovation & Effectiveness Grant	29,642	-	-	29,642	29,642
Passed through Chabot-Las Positas CCD:						
	Education Futures Grant	30,000	-	-	30,000	30,000
	Total California Community Colleges Chancellor's Office	20,298,548	149,572	5,195,840	15,252,280	15,252,280
California Governor's Office of Business and Economic Development:						
Direct Programs:						
	Go-Biz	1,525,262	301,263	-	1,826,525	1,826,525
	Technical Assistance Expansion Program	1,640,335	188,072	-	1,828,407	1,828,407
	Total California Governor's Office of Business and Economic Development	3,165,597	489,335	-	3,654,932	3,654,932
California Department of Boating and Waterways:						
Direct Programs:						
	Aquatic Center Grant	68,837	-	33,972	34,865	34,865
	Total California Department of Boating and Waterways	68,837	-	33,972	34,865	34,865
Total State Programs		\$ 26,071,188	\$ 811,272	\$ 6,314,564	\$ 20,567,896	\$ 20,567,896

Southwestern Community College District
Budget Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	General Fund - Unrestricted			General Fund-Restricted		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
REVENUES:						
Federal	\$ 216,600	\$ 132,092	\$ (84,508)	\$ 4,522,323	\$ 6,022,802	\$ 1,500,479
State	67,934,448	68,183,704	249,256	21,218,406	21,611,098	392,692
Local	37,090,794	39,676,597	2,585,803	5,135,519	2,315,297	(2,820,222)
Total revenues	<u>105,241,842</u>	<u>107,992,393</u>	<u>2,750,551</u>	<u>30,876,248</u>	<u>29,949,197</u>	<u>(927,051)</u>
EXPENDITURES:						
Salaries	44,192,931	71,024,626	(26,831,695)	14,396,705	16,418,156	(2,021,451)
Employee benefits	23,118,933	26,755,394	(3,636,461)	4,535,056	5,304,585	(769,529)
Payments to students	175,000	308,646	(133,646)	1,013,163	1,663,330	(650,167)
Supplies, materials, and other expenses	35,364,567	8,143,679	27,220,888	10,867,434	8,109,309	2,758,125
Utilities	2,375,609	2,878,830	(503,221)	63,890	2,078	61,812
Total expenditures	<u>105,227,040</u>	<u>109,111,175</u>	<u>(3,884,135)</u>	<u>30,876,248</u>	<u>31,497,458</u>	<u>(621,210)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>14,802</u>	<u>(1,118,782)</u>	<u>(1,133,584)</u>	<u>-</u>	<u>(1,548,261)</u>	<u>(1,548,261)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	1,346,587	1,346,587
Transfers out	-	(1,921,587)	(1,921,587)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,921,587)</u>	<u>(1,921,587)</u>	<u>-</u>	<u>1,346,587</u>	<u>1,346,587</u>
CHANGES IN FUND BALANCES	<u>\$ 14,802</u>	<u>(3,040,369)</u>	<u>\$ (3,055,171)</u>	<u>\$ -</u>	<u>(201,674)</u>	<u>\$ (201,674)</u>
FUND BALANCES:						
Beginning of year		<u>19,885,900</u>			<u>1,028,124</u>	
End of year		<u>\$ 16,845,531</u>			<u>\$ 826,450</u>	