Financial Statements
June 30, 2022

Southwestern Community College District

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Schedule of Findings and Questioned Costs

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Trustees
Southwestern Community College District
Chula Vista, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the remaining fund information of Southwestern Community College District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, and other required supplementary schedules on pages 60 through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of content are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2022

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

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Southwestern Community College District (the "District") for the year ended June 30, 2022. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

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

Getting to Know Southwestern College

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

Southwestern College is a Hispanic-Serving-Institution and one of the most diverse community colleges in the nation. With 90% non-white students, Southwestern College also qualifies as an Asian American, Native American, Pacific Islander serving institution (AANAPISI). In recent years, Southwestern College has increased efforts to fulfill its mission by supporting services and instruction that meets the needs of the community's most vulnerable populations. In 2016, the College District established a Restorative Justice Program that provides face-to-face instruction for incarcerated students at the Richard J. Donovan Correctional Facility. The College District has College and Career Access Pathways (CCAP) agreements with both public school districts and a number of charter and private schools in its service area providing college courses to a large number of local high school students. The College District supports students' basic needs with the Jag Kitchen food pantry that serves students with hot meals and staple pantry goods at the Chula Vista, National City and San Ysidro campuses. Jag Kitchen has become the foundation for a larger SWC Cares hub that provides financial aid assistance, personal wellness and safety, legal, and immigration resources among other services.

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Southwestern College History

The Southwestern Community College District, located south of San Diego and extending to the U.S.-Mexico border, is one of 73 community college districts in the California Community College system. It serves as the primary source of public higher education for approximately 505,907 residents of the South San Diego County area including the communities of Bonita, Chula Vista, Coronado, Imperial Beach, National City, Nestor, Otay Mesa, Palm City, San Ysidro and Sunnyside.

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

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

In addition to its centers, Southwestern College also provides off-campus classes at several extension sites throughout the District and operates an Aquatic Center in Coronado in conjunction with the California Department of Boating and Waterways and the California Department of Parks and Recreation. Current enrollment—at all locations—exceeds 25,000 students each year. More than a half-million students have attended Southwestern College since its inception.

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

Commitment to Equity, Diversity, and Inclusion

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

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

Budgeting and Financial Management

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

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

The Corona Virus health crisis resulted in enormous hardship for families, businesses, and governments. However, the actual magnitude of the downward economic shift was not as severe as initially projected. The FY2021-22 financial results reflect a substantial recovery to the state's finances.

The District elected the Emergency Conditions Allowance (ECA) offered by the Chancellor in FY2019-20, FY2020-21, and FY2021-22. Under the ECA, Southwestern has been funded at the pre-COVID level of 15,008 FTES. Throughout this time, actual FTES have hovered in the mid-12,000 range. Under the ECA, District funding has been protected by more than $25 million since the onset of the COVID 19 Pandemic.

FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

- The District's primary funding source is from "State Apportionment Funding" received from the California Community Colleges Chancellor's Office (CCCCO). This funding is one factor of the overall student centered funding formula for community colleges. The other two factors are student enrollment fees ($46 per unit) and local property taxes. The primary source of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Under the Emergency Conditions Allowance, the District was funded at the pre-Covid FTES of 15,008. Actual FTES were12,307 for FY2021-2022.

- Similar to other public institutions, Southwestern pivoted to remote instruction modality mid-way through the spring 2020 semester and continued remote through the fall of 2021. After careful analysis of key data metrics and guidance from local and national health authorities, approximately 30% of courses returned to on-site instruction in the spring of 2022.

- During the 2021-2022 fiscal year, the District substantially disbursed the HEERF funds received under the CARES Act with final liquidation occurring early in the subsequent fiscal year.

- The District entered into a short term borrowing agreement (TRANS) to offset $14 Million in 2020-2021 payment deferrals. The deferred funds were fully received in FY2021-2022 and the District settled its related short term liability.

- The District's total combined net position was $(70,144,601) at June 30, 2022. This is a change from the total combined net position as of June 30, 2021, which reflected $(67,760,139).

- A cost-of-living adjustment (COLA) of 5.07% to SCFF apportionment was included in the FY2021-22 Budget Act.

- At June 30, 2022, the value of the District's Other Postemployment Benefits (OPEB) trust was $7.2 million, and the District's GASB Statement No. 75 OPEB liability of $16.7 million is 30% funded based on the District's most recent actuarial valuation report.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) REPORTING STANDARDS

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

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

STATEMENT OF NET POSITION

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

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

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

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

THE DISTRICT AS A WHOLE

Net Position

The Statement of Net Position as of June 30, 2022 and 2021 are summarized below:

	2022	2021	Change
Assets			
Cash and investments	$ 440,661,522	$ 192,628,402	$ 248,033,120
Receivables	12,339,876	32,401,587	(20,061,711)
Other current assets	475,658	1,564,814	(1,089,156)
Capital assets, net	507,556,216	462,801,465	44,754,751
Total assets	961,033,272	689,396,268	271,637,004
Deferred outflows of resources	63,965,340	65,516,010	(1,550,670)
Liabilities			
Accounts payable and accrued liabilities	58,541,445	50,024,111	8,517,334
Current portion of long-term liabilities	20,755,565	8,870,565	11,885,000
Noncurrent portion of long-term liabilities	956,413,701	750,451,378	205,962,323
Total liabilities	1,035,710,711	809,346,054	226,364,657
Deferred inflows of resources	59,432,502	13,326,363	46,106,139
Net Position (Deficit)			
Net investment in capital assets	8,765,353	43,617,685	(34,852,332)
Restricted	52,559,453	24,846,991	27,712,462
Unrestricted deficit	(131,469,407)	(136,224,815)	4,755,408
Total net position (deficit)	$ (70,144,601)	$ (67,760,139)	$ (2,384,462)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

Operating Results for the Year

The Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2022 and 2021, are summarized and presented below:

	2022	2021	Change
Operating Revenues			
Tuition and fees, net	$ 8,309,402	$ 6,896,467	$ 1,412,935
Grants and contracts, noncapital	67,888,522	41,638,980	26,249,542
Auxiliary sales and charges	3,054,512	1,712,916	1,341,596
Total operating revenues	79,252,436	50,248,363	29,004,073
Operating Expenses			
Salaries and employee benefits	123,200,281	132,881,148	(9,680,867)
Supplies, materials, and other operating	41,804,361	25,537,685	16,266,676
Student financial aid	69,762,775	47,376,229	22,386,546
Depreciation	17,682,298	17,493,131	189,167
Total operating expenses	252,449,715	223,288,193	29,161,522
Operating loss	(173,197,279)	(173,039,830)	(157,449)
Nonoperating Revenues (Expenses)			
State apportionments	66,764,612	63,102,500	3,662,112
Property taxes	68,404,981	52,599,627	15,805,354
Student financial aid grants	51,495,821	43,520,614	7,975,207
State revenues	8,035,287	7,354,988	680,299
Net interest expense	(33,486,102)	(10,675,408)	(22,810,694)
Other nonoperating revenues	9,598,218	2,809,211	6,789,007
Total nonoperating revenue (expenses)	170,812,817	158,711,532	12,101,285
Change in net position (deficit)	$ (2,384,462)	$ (14,328,298)	$ 11,943,836

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

Year ended June 30, 2022:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 53,958,759	$ 1,736,363	$ -	$ -	$ 55,695,122
Academic support	21,186,673	1,296,185	-	-	22,482,858
Student services	16,001,346	1,089,155	-	-	17,090,501
Plant operations and maintenance	4,465,746	3,157,716	-	-	7,623,462
Instructional support services	18,518,452	6,014,382	-	-	24,532,834
Community services and economic development	4,085,504	13,273,984	-	-	17,359,488
Ancillary services and auxiliary operations	4,264,835	3,173,401	-	-	7,438,236
Physical property and related acquisitions	353,054	11,858,855	-	-	12,211,909
Student aid	365,912	204,320	69,762,775	-	70,333,007
Unallocated depreciation	-	-	-	17,682,298	17,682,298
Total	$ 123,200,281	$ 41,804,361	$ 69,762,775	$ 17,682,298	$ 252,449,715

STATEMENT OF CASH FLOWS

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

Changes in Cash Position

The Statement of Cash Flows for the year ended June 30, 2022 and 2021, are summarized and presented below:

	2022	2021	Change
Net Cash Flows from			
Operating activities	$ (144,620,564)	$ (155,933,574)	$ 11,313,010
Noncapital financing activities	173,143,723	156,212,374	16,931,349
Capital financing activities	227,383,691	45,144,705	182,238,986
Investing activities	(7,873,730)	1,815,594	(9,689,324)
Change in Cash and Cash Equivalents	248,033,120	47,239,099	200,794,021
Cash and Cash Equivalents, Beginning of Year	192,628,402	145,389,303	47,239,099
Cash and Cash Equivalents, End of Year	$ 440,661,522	$ 192,628,402	$ 248,033,120

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

As of June 30, 2022, the District had $507.6 million in net capital assets. Total capital assets consist of land, buildings, and building improvements, construction in progress, vehicles and other equipment. Accumulated depreciation related to these assets is $129.9 million. Depreciation expense of $17.7 million was recorded for the fiscal year. Note 6 to the financial statements provides additional information on capital assets.

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022
Capital Assets				
Land and construction in progress	$ 119,879,702	$ 61,395,779	$ (4,672,199)	$ 176,603,282
Buildings and improvements	443,596,817	4,672,199	(1,601,651)	446,667,365
Furniture, equipment and vehicles	13,126,651	1,041,270	-	14,167,921
Subtotal capital assets	576,603,170	67,109,248	(6,273,850)	637,438,568
Accumulated depreciation	(113,801,705)	(17,682,298)	1,601,651	(129,882,352)
Total capital assets, net	$ 462,801,465	$ 49,426,950	$ (4,672,199)	$ 507,556,216

Long-Term Liabilities Other than OPEB and Pensions

At June 30, 2022, the District had $879.1 million in outstanding long-term liabilities compared to $608.4 million at June 30, 2021. We present more detailed information regarding out long-term liabilities in Note 8 to the financial statements.

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022
General obligation bonds	$ 598,232,236	$ 290,185,441	$ (19,189,753)	$ 869,227,924
Lease revenue bonds	495,762	-	(116,921)	378,841
Other liabilities	9,643,489	1,165,523	(1,350,565)	9,458,447
Total long-term liabilities	$ 608,371,487	$ 291,350,964	$ (20,657,239)	$ 879,065,212
Amount due within one year				$ 20,755,565

OPEB and Pension Liabilities

At June 30, 2022, the District has an aggregate other postemployment benefit liability (OPEB) of $17,158,421 compared to $14,048,889 at June 30, 2021, a net increase of $3,109,532 or 22.1%.

At June 30, 2022, the District has an aggregate net pension liability of $80,945,633 compared to $136,901,567 at June 30, 2021, a net decrease of $55,955,934 or 40.9%.

STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK

The FY2022-23 Budget Act increases Proposition 98 funding for community colleges over FY2021-22 levels through a combination of ongoing and one-time funds. The Budget Act focuses on an equitable recovery from the Pandemic. Although many of the budget increases are one-time, the Act provides an on-going Cost-of-Living Adjustment (COLA) to the Student-Centered Funding Formula (SCFF) of 6.56%.

The District's unrestricted general fund revenue budget for FY2022-23 is $132.1 million, compared to FY2021-22 budgeted revenues of $119.4 million, an 11% increase.

General unrestricted revenues under the Student-Centered Funding Formula are projected as follows (in millions):

Basic Allocation		$13.9
Full-Time Equivalent Students		$71.8
Supplemental Allocation		$22.9
Student Success		$11.9
	Total	$120.5

The Sources of funds earned under the Formula are presented next (in millions):

California State principal apportionment	$79.1
Property taxes	$36.2
Enrollment fees	$5.2
Total	$120.5

The District projects other unrestricted general fund revenue of $11.5 million including locally generated revenue, lottery proceeds and non-resident tuition.

The District's FY 2022-2023 General Fund unrestricted budgeted expenses of $128.6 million compared to FY 2021-2022 budgeted expenses of $114.4 million, representing a 13% increase.

On June 22, 2022, the Chancellor's Office presented one final extension by which districts can adopt the Emergency Conditions Allowance for FY 22-23. The ECA will increase Southwestern's FY 22-23 funding by approximately $3 million. The benefit carries forward beyond the budget year as the FTES under ECA in FY 22-23 will be used in the calculation of the 3-year average through FY 24-25.

There are conditions attached to electing this extension. A key condition is that districts provide an adopted Board Policy to the Chancellor no later than February 2023 mandating a unrestricted general fund reserve balance for economic uncertainties of no less than 15% of unrestricted expenditures. The District has elected the final extension of the Emergency Conditions Allowance (ECA) available for FY 22-23. The District's policy on General Unrestricted Fund Balance has been amended accordingly and now requires an Unrestricted General Fund Reserve for Economic Uncertainties equal to 15% of Unrestricted Genera Fund Expenditures.

The District was awarded $618,000 for planning activities associated with the protentional to provide affordable student housing in South San Diego County. The District is in the process of applying for a construction grant to build affordable housing under SB 169.

The total District-wide expense budget for all funds in FY2022-2023 is $197 million.

The District's Governing Board resolved to commit General Unrestricted Fund Balance amounts as follows:

- Committed for Compensated Absences: $4.1 million (75% of the total recorded liability)
- Committed for Economic Uncertainty: $20.6 million (2 months of General Fund expenditures)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Assets	
Cash and cash equivalents	$ 31,545,519
Investments	409,116,003
Accounts receivable	10,262,425
Student receivables	2,077,451
Prepaid expenses	3,630
Inventories	472,028
Capital assets	
Nondepreciable capital assets	176,603,282
Depreciable capital assets, net of accumulated depreciation	330,952,934
Total capital assets, net	507,556,216
Total assets	961,033,272
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	27,377,732
Deferred outflows of resources related to OPEB	9,157,948
Deferred outflows of resources related to pensions	27,429,660
Total deferred outflows of resources	63,965,340
Liabilities	
Accounts payable	23,542,548
Accrued interest payable	10,604,152
Unearned revenue	24,394,745
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	20,755,565
Long-term liabilities other than OPEB and pensions, due in more than one year	858,309,647
Aggregate net other postemployment benefits (OPEB) liability	17,158,421
Aggregate net pension liability	80,945,633
Total liabilities	1,035,710,711
Deferred Inflows of Resources	
Deferred inflows of resources related to debt refunding	497,368
Deferred inflows of resources related to OPEB	6,796,388
Deferred inflows of resources related to pensions	52,138,746
Total deferred inflows of resources	59,432,502
Net Position (Deficit)	
Net investment in capital assets	8,765,353
Restricted for	
Debt service	42,132,484
Capital projects	8,285,608
Educational programs	486,614
Other activities	1,654,747
Unrestricted deficit	(131,469,407)
Total net position (deficit)	$ (70,144,601)

Operating Revenues	
Tuition and fees	$ 17,650,024
Less: Scholarship discounts and allowances	(9,340,622)
Net tuition and fees	8,309,402
Grants and contracts, noncapital	
Federal	40,767,736
State	26,698,215
Local	422,571
Total grants and contracts, noncapital	67,888,522
Auxiliary enterprise sales and charges	
Bookstore	2,283,538
Food service	406,229
Other enterprise	364,745
Total auxiliary enterprise sales and charges	3,054,512
Total operating revenues	79,252,436
Operating Expenses	
Salaries	94,921,690
Employee benefits	28,278,591
Supplies, materials, and other operating expenses and services	41,804,361
Student financial aid	69,762,775
Depreciation and amortization	17,682,298
Total operating expenses	252,449,715
Operating Loss	(173,197,279)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	66,764,612
Local property taxes, levied for general purposes	34,280,412
Taxes levied for other specific purposes	34,124,569
Federal and State financial aid grants	51,495,821
State taxes and other revenues	8,035,287
Investment loss, net	(7,923,355)
Interest expense on capital related debt	(24,430,839)
Investment loss on capital asset-related debt, net	(1,131,908)
Other nonoperating revenue	9,598,218
Total nonoperating revenues (expenses)	170,812,817
Change In Net Position (Deficit)	(2,384,462)
Net Position (Deficit), Beginning of Year	(67,760,139)
Net Position (Deficit), End of Year	$ (70,144,601)

Cash Flows from Operating Activities	
Tuition and fees	$ 9,868,467
Federal, state, and local grants and contracts, noncapital	75,818,068
Auxiliary enterprise sales and charges	3,054,512
Payments to or on behalf of employees	(128,544,548)
Payments to vendors for supplies and services	(35,054,288)
Payments to students for scholarships and grants	(69,762,775)
Net cash flows from operating activities	(144,620,564)
Cash Flows from Noncapital Financing Activities	
State apportionments	78,030,578
Federal and state financial aid grants	50,902,967
Property taxes - nondebt related	34,280,412
State taxes and other apportionments	7,138,042
Repayment of tax revenue anticipation notes	(14,500,000)
Other nonoperating	17,291,724
Net cash flows from noncapital financing activities	173,143,723
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(58,174,852)
Proceeds from sale of capital debt	287,009,063
Property taxes - related to capital debt	34,124,569
Principal paid on capital debt	(16,150,000)
Interest paid on capital debt	(19,629,224)
Interest received on capital asset-related debt	204,135
Net cash flows from capital financing activities	227,383,691
Cash Flows from Investing Activities	
Change in fair value of cash in county treasury	(11,133,546)
Interest received from investments	3,259,816
Net Cash Flows From Investing Activities	(7,873,730)
Change In Cash and Cash Equivalents	248,033,120
Cash and Cash Equivalents, Beginning of Year	192,628,402
Cash and Cash Equivalents, End of Year	$ 440,661,522

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (173,197,279)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	17,682,298
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	14,958,994
Student receivables	(1,441,850)
Inventories	1,081,818
Prepaid expenses	7,338
Deferred outflows of resources related to OPEB	(769,404)
Deferred outflows of resources related to pensions	1,070,479
Accounts payable	6,775,091
Unearned revenue	(4,028,533)
Compensated absences	643,793
Load banking	521,730
Supplemental employee retirement plan	(1,350,565)
Aggregate net OPEB liability	3,109,532
Aggregate net pension liability	(55,955,934)
Deferred inflows of resources related to OPEB	(324,813)
Deferred inflows of resources related to pensions	46,596,741
Total adjustments	28,576,715
Net cash flows from operating activities	$ (144,620,564)
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	$ 31,404,519
Cash with fiscal agent	141,000
Cash in county treasury	409,116,003
Total cash and cash equivalents	$ 440,661,522
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	$ 1,249,595
Amortization of deferred inflows of resources related to debt refunding	$ 165,789
Amortization of debt premiums	$ 3,156,674
Accretion of interest on capital appreciation bonds	$ 3,176,378

	Retiree OPEB Trust
Assets	
Investments	$ 6,325,654
Accounts receivable	2,000,000
Total assets	$ 8,325,654
Net Position	
Restricted for postemployment benefits other than pensions	$ 8,325,654

	Retiree OPEB Trust
Additions	
District contributions	$ 1,246,062
Net realized and unrealized loss	(870,466)
Total additions	375,596
Deductions	
Benefit payments	1,246,062
Administrative expenses	9,740
Total deductions	1,255,802
Change in Net Position	(880,206)
Net Position - Beginning of Year	9,205,860
Net Position - End of Year	$ 8,325,654

Note 1 - Organization

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

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Investments

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

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

Accounts Receivable

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

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

Compensated Absences and Load Banking

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District’s financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Unearned Revenue

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

Tax and Revenue Anticipation Notes

The Tax and Revenue Anticipation Notes were issued as short-term obligations to provide cash flow needs. This liability is offset with future cash deposits from State general apportionment funding, which was paid off as of June 30, 2022.

Noncurrent Liabilities

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $52,559,453 of restricted net position, and the fiduciary funds financial statements report $8,325,654 of restricted net position.

Operating and Nonoperating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarship Discounts and Allowances

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

Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

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

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.

- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.

- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 3 - Deposits and Investments

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	$ 31,376,581	$ -
Cash in revolving	27,938	-
Cash with fiscal agent	141,000	-
Investments	409,116,003	6,325,654
Total deposits and investments	$ 440,661,522	$ 6,325,654

Interest Rate Risk

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

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

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
Master Trust	$ 6,325,654	N/A	Not rated
San Diego County Investment Pool	409,116,003	551	AAAf/S1
Total	$ 415,441,657		

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Master Trust is not required to be rated, nor has it been rated as of June 30, 2022. The San Diego County Investment Pool was rated AAAf/S1 by Fitch Ratings, Inc.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of $31.1 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2022, the District's investment balance of approximately $6.3 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

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

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

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

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

The District's fair value measurements are as follows at June 30, 2022:

Investment Type	Fair Value	Fair Value Measurements Using Level 3 Inputs
Master Trust	$ 6,325,654	$ 6,325,654

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

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2022 consisted of the following:

	Primary Government	Fiduciary Fund
Federal Government		
Categorical aid	$ 5,088,814	$ -
State Government		
Categorical aid	653,543	-
Lottery	430,147	-
Local Sources		
District contribution	-	2,000,000
Interest	224,875	-
Other local sources	3,865,046	-
Total	$ 10,262,425	$ 2,000,000
Student receivables	$ 2,077,451	$ -

Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2022, was as follows:

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022
Capital Assets Not Being Depreciated				
Land	$ 9,703,148	$ -	$ -	$ 9,703,148
Construction in progress	110,176,554	61,395,779	(4,672,199)	166,900,134
Total capital assets not being depreciated	119,879,702	61,395,779	(4,672,199)	176,603,282
Capital Assets Being Depreciated				
Buildings and improvements	356,688,507	1,515,018	(1,601,651)	356,601,874
Land improvements	86,908,310	3,157,181	-	90,065,491
Furniture and equipment	13,126,651	1,041,270	-	14,167,921
Total capital assets being depreciated	456,723,468	5,713,469	(1,601,651)	460,835,286
Total capital assets	576,603,170	67,109,248	(6,273,850)	637,438,568
Less Accumulated Depreciation				
Buildings and improvements	(67,210,519)	(11,207,715)	1,601,651	(76,816,583)
Land improvements	(37,376,651)	(4,864,893)	-	(42,241,544)
Furniture and equipment	(9,214,535)	(1,609,690)	-	(10,824,225)
Total accumulated depreciation	(113,801,705)	(17,682,298)	1,601,651	(129,882,352)
Net capital assets	$ 462,801,465	$ 49,426,950	$ (4,672,199)	$ 507,556,216

Note 7 - Tax and Revenue Anticipation Notes (TRANs)

At July 1, 2021, the District had outstanding Tax and Revenue Anticipation Notes (TRANs) in the amount of $14,500,000, which matured on January 31, 2022. The notes were issued bearing interest at 2.00%. The notes were issued to supplement cash flows and will be repaid from future general apportionment revenues. As of June 30, 2022, the District had repaid the balance outstanding on the notes.

	Balance, Beginning July 1, 2021	Additions	Deductions	Balance, End June 30, 2022
2021 Series B, 2.0% TRANs	$ 14,500,000	$ -	$ (14,500,000)	$ -

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

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2022 consisted of the following:

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022	Due in One Year
General obligation bonds	$ 563,832,756	$ 260,796,378	$ (16,035,000)	$ 808,594,134	$ 19,290,000
Bond premium	34,399,480	29,389,063	(3,154,753)	60,633,790	-
Lease revenue bonds	490,000	-	(115,000)	375,000	115,000
Bond premium	5,762	-	(1,921)	3,841	-
Compensated absences	3,964,671	643,793	-	4,608,464	-
Load banking	1,544,984	521,730	-	2,066,714	-
Supplemental employee retirement plan	4,133,834	-	(1,350,565)	2,783,269	1,350,565
Total	$ 608,371,487	$ 291,350,964	$ (20,657,239)	$ 879,065,212	$ 20,755,565

Description of Long-Term Liabilities

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

General Obligation Bonds

On September 29, 2004, the District authorized the sale and issuance of the 2004 General Obligation Bonds in the amount of $49,353,974. Proceeds from the sale of the bonds are to be used to finance the renovation of classrooms and other college facilities throughout the District. These bonds were partially refunded in August 2005. Interest on the remaining amount is payable August 1, commencing August 1, 2024 at rates ranging from 2.50% to 5.00%. Principal is payable August 1, commencing August 1, 2024 and through the maturity date August 1, 2029.

On June 2, 2011, the District authorized the sale and issuance of 2008 General Obligation Bonds, Series C in the amount of $68,730,371. Proceeds from the sale of the bonds will be used to finance the construction and renovation of classrooms and other college facilities throughout the District. These bonds were partially refunded with the issuance of the District's 2020 General Obligation Refunding Bonds. Interest on the remaining Series C bonds is payable February 1 and August 1, commencing August 1, 2011 at rates ranging from 5.00% to 7.30%. Principal is payable August 1, commencing August 1, 2011 and through the maturity date of August 1, 2046.

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

On December 3, 2014, the District authorized the sale and issuance of 2015 General Obligation Refunding Bonds, in the amount of $27,045,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's 2005 General Obligation Bonds, Election of 2000, Series 2005. Interest is payable February 1 and August 1, commencing August 1, 2015 at 5.00%. Principal is payable August 1, commencing August 1, 2015 and through the maturity date August 1, 2025.

On August 17, 2016, the District authorized the sale and issuance of the 2016 General Obligation Refunding Bonds Series A and B, in the amounts of $3,400,000 and $84,335,000, respectively. Proceeds from the sale of the bonds were used to advance refund the remaining balances of the District's Election of 2008 General Obligation Bonds, Series A and B and to pay costs of issuing the bonds. Interest is payable February 1 and August 1, commencing February 1, 2017 at interest rates ranging from 3.00% to 5.00%. Principal is payable August 1, commencing August 1, 2020 and August 1, 2022 for Series A and B, respectively, and through the maturity dates of August 1, 2021 and August 1, 2039 for Series A and B, respectively.

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

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

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

On July 22, 2020, the District authorized the sale and issuance of the 2020 General Obligation Refunding Bonds in the amounts of $56,530,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's Election of 2008 General Obligation Bonds, Series C and to pay costs of issuing the bonds. Interest is payable February 1 and August 1 at interest rates ranging from 0.37% to 2.63%. The bonds mature through August 1, 2040.

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

On March 9, 2021, the District authorized the sale and issuance of the 2021 General Obligation Refunding Bonds in the amounts of $150,970,000. Proceeds from the sale of the bonds were used to advance refund a portion of the District's Election of 2008 General Obligation Bonds, Series D and to pay costs of issuing the bonds. Interest is payable February 1 and August 1 at interest rates ranging from 0.26% to 3.12%. The bonds mature through August 1, 2044.

On October 20, 2021, the District authorized the sale and issuance of the 2008 General Obligation Bonds, Series 2021F of current interest bonds in the amount of $73,620,000. Proceeds from the sale of the bonds are to be finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuing the bonds. Interest rates range from 1.00% to 4.00% and is payable semi-annually on August 1 and February 1. The bonds mature August 1, 2046.

On October 20, 2021, the District authorized the sale and issuance of the 2016 General Obligation Bonds, Series 2021D of current interest bonds in the amount of $184,000,000. Proceeds from the sale of the bonds are to be finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the costs of issuing the bonds. Interest rates range from 0.15% to 4.00% and is payable semi-annually on August 1 and February 1. The bonds mature August 1, 2046.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2004	8/1/29	2.50% - 5.00%	$ 49,353,974	$ 30,524,043	$ -	$ 1,642,579	$ -	$ 32,166,622
2011	8/1/46	5.00% - 7.30%	68,730,371	21,276,899	-	1,525,613	(655,000)	22,147,512
2015	8/1/21	2.59% - 2.89%	121,649,331	631,814	-	8,186	(640,000)	-
2014	8/1/25	5.00%	27,045,000	16,350,000	-	-	(2,710,000)	13,640,000
2016	8/1/21	3.00%	3,400,000	1,800,000	-	-	(1,800,000)	-
2016	8/1/39	3.00% - 5.00%	84,335,000	84,335,000	-	-	-	84,335,000
2017	8/1/47	3.00% - 5.00%	140,000,000	103,760,000	-	-	-	103,760,000
2020	8/1/39	0.25% - 4.00%	25,000,000	23,140,000	-	-	-	23,140,000
2020	8/1/40	0.25% - 4.00%	30,000,000	28,515,000	-	-	-	28,515,000
2020	8/1/40	0.37% - 2.63%	56,530,000	56,530,000	-	-	(1,600,000)	54,930,000
2021	8/1/46	2.37% - 4.00%	46,000,000	46,000,000	-	-	-	46,000,000
2021	8/1/44	0.26% - 3.12%	150,970,000	150,970,000	-	-	-	150,970,000
2021	8/1/46	1.00% - 4.00%	73,620,000	-	73,620,000	-	-	73,620,000
2021	8/1/46	0.15% - 4.00%	184,000,000	-	184,000,000	-	(8,630,000)	175,370,000
				$ 563,832,756	$ 257,620,000	$ 3,176,378	$ (16,035,000)	$ 808,594,134

Debt Service Requirement to Maturity

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2023	$ 19,290,000	$ 25,132,890	$ 44,422,890
2024	19,315,000	24,476,058	43,791,058
2025	18,425,000	23,793,399	42,218,399
2026	13,500,000	23,214,582	36,714,582
2027	11,220,000	22,786,952	34,006,952
2028-2032	84,650,000	106,268,139	190,918,139
2033-2037	144,010,000	87,097,083	231,107,083
2038-2042	203,545,000	56,713,224	260,258,224
2043-2047	229,755,000	22,417,199	252,172,199
2048	10,570,000	211,400	10,781,400
Total	$ 754,280,000	$ 392,110,926	$ 1,146,390,926

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Total
2023	$ -	$ -	$ -
2024	-	-	-
2025	3,444,905	465,095	3,910,000
2026	3,487,169	687,831	4,175,000
2027	7,154,930	1,895,070	9,050,000
2028-2032	18,079,618	7,220,382	25,300,000
2033-2037	-	-	-
2038-2042	5,060,919	14,854,081	19,915,000
2043-2047	17,086,593	81,898,407	98,985,000
Total	$ 54,314,134	$ 107,020,866	$ 161,335,000

Lease Revenue Bonds

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

On October 1, 2010 the District, along with two other local California Community College Districts, refinanced these bonds in order to achieve a savings in debt service. The new bonds have a principal amount due of $1,410,000 with the first payment due on October 1, 2011 and the final payment due on October 1, 2023. The bonds have coupon rates ranging from 3.00% to 4.00%.

The lease revenue bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest	Total
2023	$ 115,000	$ 11,834	$ 126,834
2024	260,000	4,875	264,875
Total	$ 375,000	$ 16,709	$ 391,709

Supplemental Employee Retirement Plan

The District has entered into various agreements to provide a Supplementary Employee Retirement Plan (SERP) to provide certain benefits to qualifying employees. The District will pay $2,783,269 on behalf of the retirees through 2026 in accordance with the following schedule:

Year Ending June 30,	2019 Plan	2021 Plan	Total
2023	$ 872,997	$ 477,568	$ 1,350,565
2024	-	477,568	477,568
2025	-	477,568	477,568
2026	-	477,568	477,568
Total	$ 872,997	$ 1,910,272	$ 2,783,269

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

For the year ended June 30, 2022, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 16,673,225	$ 9,157,948	$ 6,796,388	$ 2,109,685
Medicare Premium Payment (MPP) Program	485,196	-	-	(94,370)
Total	$ 17,158,421	$ 9,157,948	$ 6,796,388	$ 2,015,315

The details of each plan are as follows:

District Plan

Plan Administration

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

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

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	197
Active employees	585
Total	782

Southwestern Community College District Retiree Health Benefit Program Trust

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

Benefits Provided

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

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The voluntary contributions are based on projected pay-as-you-go financing requirements. For the measurement period of June 30, 2021, the District paid $1,029,122 in benefits.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation
Equity	50%
Fixed Income	50%

Rate of Return

For the year ended June 30, 2021, the annual money-weighed rate of return on investments, net of investment expense, was 20.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $16,673,225 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	$ 23,879,085
Plan fiduciary net position	(7,205,860)
Net OPEB liability	$ 16,673,225
Plan fiduciary net position as a percentage of the total OPEB liability	30.18%

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%
Discount rate	3.37%
Healthcare cost trend rates	7.00%

The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of bond indices, including Bond Buyer Go 20-Bond Municipal Bond Index, S&P Municipal Bond 20-Year High Grade Rate Index, and Fidelity 20-Year Go Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 3.37%. The Trust is expected to be depleted by 2045 based on the current funding strategy.

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

- Classified and Management employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021.
- Faculty employees and retirees: SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2021.
- Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study as of July 1, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	7.00%
Fixed Income	7.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.37%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	$ 19,464,771	$ 5,995,448	$ 13,469,323
Service cost	678,398	-	678,398
Interest	920,858	-	920,858
Difference between expected and actual experience	2,497,255	-	2,497,255
Contributions - employer	-	1,029,122	(1,029,122)
Expected investment income	-	1,219,301	(1,219,301)
Changes of assumptions	1,346,925	-	1,346,925
Benefit payments	(1,029,122)	(1,029,122)	-
Administrative expense	-	(8,889)	8,889
Net change in total OPEB liability	4,414,314	1,210,412	3,203,902
Balance, June 30, 2021	$ 23,879,085	$ 7,205,860	$ 16,673,225

There were no changes in benefit terms. Changes of economic assumptions reflect a change in the discount rate from 4.69% to 3.37% and a change in the health care cost trend rate from 5.75% to 7.00% since the previous valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.37%)	$ 19,533,548
Current discount rate (3.37%)	16,673,225
1% increase (4.37%)	14,267,142

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

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

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (6.00%)	$ 13,965,149
Current healthcare cost trend rate (7.00%)	16,673,225
1% increase (8.00%)	20,021,342

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,246,062	$ -
Differences between expected and actual experience	2,247,529	5,229,728
Changes of assumptions	5,664,357	1,001,324
Net difference between projected and actual earnings on OPEB plan investments	-	565,336
Total	$ 9,157,948	$ 6,796,388

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (147,186)
2024	(125,016)
2025	(133,150)
2026	(159,984)
Total	$ (565,336)

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 9.7 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 166,979
2024	336,334
2025	306,030
2026	287,329
2027	357,135
Thereafter	227,027
Total	$ 1,680,834

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of $485,196 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.1216% and 0.1368%, respectively, resulting in a net decrease in the proportionate share of 0.0152%.

For the year ended June 30, 2022, the District recognized OPEB expense of ($94,370).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 534,818
Current discount rate (2.16%)	485,196
1% increase (3.16%)	442,797

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 441,229
Current Medicare costs trend rates (4.50% Part A and 5.4% Part B)	485,196
1% increase (5.50% Part A and 6.40% Part B)	535,602

Note 10 - Risk Management

Property and Liability Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2022, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2021-2022, the District participated in the Protected Insurance Program for Schools Joint Powers Authority (PIPS). PIPS is a self-insurance pool that provides workers' compensation protection to its membership of public schools and community colleges throughout California. It is the first program to provide "first dollar" protection, while incorporating both risk retention and risk transfer to achieve maximum efficiency in the cost of risk. PIPS was created to provide an alternative for workers' compensation coverage normally provided utilizing traditional self-insurance, guaranteed cost, high deductible, or other available programs. PIPS provides comprehensive member services as well as state regulatory compliance on behalf of the reinsurers that underwrite the program. The JPA structure provides participating member agencies, and the Board of Directors, with a great deal of latitude in how services are to be delivered and how the liabilities will be financed. Through a combination of risk transfer to reinsurers and risk retention by its self-insured members, each year's structure strives to combine high probability level funding in the primary layers with catastrophic protection up to at least $155,000,000 per occurrence.

Note 11 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 36,827,645	$ 14,578,677	$ 33,751,006	$ 1,714,006
CalPERS	44,117,988	12,850,983	18,387,740	5,299,340
Total	$ 80,945,633	$ 27,429,660	$ 52,138,746	$ 7,013,346

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2022, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above, and the District's total contributions were $7,801,002.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 36,827,645
State's proportionate share of net pension liability associated with the District	18,530,243
Total	$ 55,357,888

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.0809% and 0.0785%, respectively, resulting in a net increase in the proportionate share of 0.0024%.

For the year ended June 30, 2022, the District recognized pension expense of $1,714,006. In addition, the District recognized pension expense and revenue of $633,989 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,801,002	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,467,334	700,160
Differences between projected and actual earnings on pension plan investments	-	29,131,616
Differences between expected and actual experience in the measurement of the total pension liability	92,255	3,919,230
Changes of assumptions	5,218,086	-
Total	$ 14,578,677	$ 33,751,006

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (7,397,683)
2024	(6,766,464)
2025	(6,934,385)
2026	(8,033,084)
Total	$ (29,131,616)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 1,169,063
2024	2,007,605
2025	(350,162)
2026	(338,831)
2027	(125,393)
Thereafter	(203,997)
Total	$ 2,158,285

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Private equity	13%	6.3%
Real estate	15%	3.6%
Inflation sensitive	6%	3.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 74,967,904
Current discount rate (7.10%)	36,827,645
1% increase (8.10%)	5,171,958

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2022, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above, and the total District contributions were $7,501,058.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $44,117,988. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.2170% and 0.1983%, respectively, resulting in a net increase in the proportionate share of 0.0187%.

For the year ended June 30, 2022, the District recognized pension expense of $5,299,340. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,501,058	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,032,890	1,352,565
Differences between projected and actual earnings on pension plan investments	-	16,931,171
Differences between expected and actual experience in the measurement of the total pension liability	1,317,035	104,004
Total	$ 12,850,983	$ 18,387,740

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (4,246,324)
2024	(3,904,875)
2025	(4,071,086)
2026	(4,708,886)
Total	$ (16,931,171)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 1,604,974
2024	935,954
2025	1,225,799
2026	126,629
Total	$ 3,893,356

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 74,389,122
Current discount rate (7.15%)	44,117,988
1% increase (8.15%)	18,986,451

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2022, which amounted to $5,204,529 (10.828%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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

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

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

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

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

Note 13 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

Construction Commitments

As of June 30, 2022, the District had approximately $306.4 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 14 - Related Party Transactions

The Southwestern College Foundation provides various levels of monetary support and service to the District. The Foundation was organized as an independent organization under California *Business Code* and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. The District pays the salaries and benefits of the executive director and development coordinator, as well as a portion of the accountant. The donated services for the fiscal year ended June 30, 2022, were valued at $536,667. Working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated facilities for the fiscal year ended June 30, 2022, amounted to $30,800 and have been reflected in the financial statement as donated facility space. Additionally, the District donated office supplies for the fiscal year ended June 30, 2022, were valued at $44,063.

Required Supplementary Information
June 30, 2022

Southwestern Community College District

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 678,398	$ 803,334	$ 793,547	$ 803,347	$ 781,846
Interest	920,858	932,895	1,068,759	793,810	1,103,513
Difference between expected and actual experience	2,497,255	(2,214,040)	(5,010,993)	-	-
Changes of assumptions	1,346,925	(1,287,416)	2,348,340	5,148,527	-
Benefit payments	(1,029,122)	(990,669)	(940,706)	(846,834)	(838,883)
Net change in total OPEB liability	4,414,314	(2,755,896)	(1,741,053)	5,898,850	1,046,476
Total OPEB Liability - Beginning	19,464,771	22,220,667	23,961,720	18,062,870	17,016,394
Total OPEB Liability - Ending (a)	$ 23,879,085	$ 19,464,771	$ 22,220,667	$ 23,961,720	$ 18,062,870
Plan Fiduciary Net Position					
Contributions - employer	$ 1,029,122	$ 1,290,669	$ 1,574,788	$ 846,834	$ 1,180,577
Expected investment income	1,219,301	257,130	297,375	296,861	345,663
Benefit payments	(1,029,122)	(990,669)	(940,706)	(846,834)	(838,883)
Administrative expense	(8,889)	(8,434)	(4,635)	(4,488)	(500)
Net change in plan fiduciary net position	1,210,412	548,696	926,822	292,373	686,857
Plan Fiduciary Net Position - Beginning	5,995,448	5,446,752	4,519,930	4,227,557	3,540,700
Plan Fiduciary Net Position - Ending (b)	$ 7,205,860	$ 5,995,448	$ 5,446,752	$ 4,519,930	$ 4,227,557
Net OPEB Liability - Ending (a) - (b)	$ 16,673,225	$ 13,469,323	$ 16,773,915	$ 19,441,790	$ 13,835,313
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.18%	30.80%	24.51%	18.86%	23.40%
Covered Employee Payroll	$ 77,441,686	$ 59,568,992	$ 57,833,973	N/A[1]	N/A[1]
Net OPEB Liability as a Percentage of Covered Employee Payroll	21.53%	22.61%	29.00%	N/A[1]	N/A[1]
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2022	2021	2020
Actuarially determined contribution	N/A[1]	$ 2,211,317	$ 2,415,840
Contribution in relation to the actuarially determined contribution	N/A [1]	(3,290,669)	(1,574,788)
Contribution deficiency (excess)	N/A [1]	$ 5,501,986	$ 3,990,628
Covered payroll	N/A [1]	$ 59,568,992	$ 57,833,973
Contributions as a percentage of covered payroll	N/A [1]	5.52%	2.72%

[1] The District did not receive an Actuarially Determined Contribution (ADC) calculation in the 2022 fiscal year. Therefore, this information is not available.

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

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	20.19%	10.07%	20.45%	6.96%	19.40%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1216%	0.1368%	0.1374%	0.1341%	0.1335%
Proportionate share of the net OPEB liability	$ 485,196	$ 579,566	$ 511,595	$ 513,335	$ 561,500
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2022	2021	2020	2019
CalSTRS				
Proportion of the net pension liability	0.0809%	0.0785%	0.0777%	0.0750%
Proportionate share of the net pension liability	$ 36,827,645	$ 76,060,613	$ 70,446,480	$ 68,930,250
State's proportionate share of the net pension liability associated with the District	18,530,243	39,209,255	38,264,992	39,317,337
Total	$ 55,357,888	$ 115,269,868	$ 108,711,472	$ 108,247,587
Covered payroll	$ 46,198,310	$ 45,506,865	$ 43,904,504	$ 41,966,316
Proportionate share of the net pension liability as a percentage of its covered payroll	79.72%	167.14%	160.45%	164.25%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS				
Proportion of the net pension liability	0.2170%	0.1983%	0.2016%	0.2000%
Proportionate share of the net pension liability	$ 44,117,988	$ 60,840,954	$ 58,764,137	$ 53,342,294
Covered payroll	$ 31,243,377	$ 28,879,071	$ 28,504,767	$ 26,109,642
Proportionate share of the net pension liability as a percentage of its covered payroll	141.21%	210.67%	206.16%	204.30%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

	2018	2017	2016	2015
CalSTRS				
Proportion of the net pension liability	0.0740%	0.0779%	0.0800%	0.0800%
Proportionate share of the net pension liability	$ 68,434,460	$ 62,982,608	$ 53,859,200	$ 46,749,600
State's proportionate share of the net pension liability associated with the District	40,332,733	35,744,266	30,526,430	28,057,002
Total	$ 108,767,193	$ 98,726,874	$ 84,385,630	$ 74,806,602
Covered payroll	$ 39,727,305	$ 41,049,196	$ 39,853,588	$ 35,763,671
Proportionate share of the net pension liability as a percentage of its covered payroll	172.26%	153.43%	135.14%	130.72%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS				
Proportion of the net pension liability	0.2100%	0.1985%	0.2090%	0.2090%
Proportionate share of the net pension liability	$ 47,979,230	$ 39,193,398	$ 30,806,804	$ 23,828,761
Covered payroll	$ 24,659,008	$ 24,713,187	$ 23,993,385	$ 22,245,705
Proportionate share of the net pension liability as a percentage of its covered payroll	194.57%	158.59%	128.40%	107.12%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2022	2021	2020	2019
CalSTRS				
Contractually required contribution	$ 7,801,002	$ 7,461,027	$ 7,766,966	$ 7,178,963
Contributions in relation to the contractually required contribution	(7,801,002)	(7,461,027)	(7,766,966)	(7,178,963)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 46,105,213	$ 46,198,310	$ 45,506,865	$ 43,904,504
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%
CalPERS				
Contractually required contribution	$ 7,501,058	$ 6,467,379	$ 5,650,990	$ 5,119,561
Contributions in relation to the contractually required contribution	(7,501,058)	(6,467,379)	(5,650,990)	(5,119,561)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 32,741,414	$ 31,243,377	$ 28,879,071	$ 28,504,767
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%

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

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 6,055,739	$ 4,997,695	$ 4,510,356	$ 3,539,234
Contributions in relation to the contractually required contribution	(6,055,739)	(4,997,695)	(4,510,356)	(3,539,234)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 41,966,316	$ 39,727,305	$ 41,049,196	$ 39,853,588
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 4,055,088	$ 3,424,643	$ 2,824,088	$ 2,824,261
Contributions in relation to the contractually required contribution	(4,055,088)	(3,424,643)	(2,824,088)	(2,824,261)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 26,109,642	$ 24,659,008	$ 24,713,187	$ 23,993,385
Contributions as a percentage of covered payroll	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuation.
- *Changes in Assumptions* – The discount rate was changed from 4.69% to 3.37% and a change in health care cost trend rate from 5.75% to 7.00% since the previous valuation.

Schedule of Contributions for OPEB

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

Schedule of OPEB Investment Returns

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

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

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

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

Schedule of the District's Contributions for Pensions

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

Supplementary Information
June 30, 2022

Southwestern Community College District

Southwestern Community College District was established in 1961 and is located in Chula Vista, San Diego County. The District presently operates one primary campus in Chula Vista with extension sites in Otay Mesa, San Ysidro, and National City. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

Board of Trustees as of June 30, 2022

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

Administration as of June 30, 2022

Mark Sanchez, Ed.D.	Superintendent/President
Isabelle Saber, M.A.	Vice President of Academic Affairs
Kelly Hall, Ph.D.	Vice President of Business and Financial Affairs
Rachel Fischer, M. Ed.	Acting Vice President of Student Affairs
Angela Alvarez Riggs, MAHRM	Acting Vice President of Human Resources
Vacant	Chief Information Services Officer

Auxiliary Organizations in Good Standing

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$ 22,852,606	$ -
Federal Pell Grant Program Administrative Allowance	84.063		71,870	-
Federal Direct Student Loans	84.268		712,617	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		851,550	-
Federal Work-Study Program	84.033		101,883	-
Federal Work-Study Program Administrative Allowance	84.033		30,091	-
Subtotal Student Financial Assistance Cluster			24,620,617	-
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		19,220,244	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		24,277,959	-
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		1,982,656	-
Subtotal			45,480,859	-
Child Care Access Means Parents in School (CCAMPIS)	84.335A		163,807	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	21-C01-090	838,376	-
Passed through State of California Department of Rehabilitation				
State Vocational Rehabilitation Program	84.126A	31152	177,627	-
Total U.S. Department of Education			71,281,286	-
U.S. Department of the Treasury				
Passed through California Community Colleges Chancellor's Office				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	1,580,259	-
Passed through San Diego Foundation				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	10296.21	7,662,511	7,240,152
Subtotal			9,242,770	7,240,152
U.S. Department of Veterans Affairs				
Post-9/11 Veterans Educational Assistance	64.027		4,155	
U.S. Department of Health and Human Services				
Passed through California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	79,975	-
U.S. Department of Defense				
Procurement Technical Assistance (DLA)	12.002		931,105	-

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
Research and Development Cluster				
National Science Foundation				
Mentored Pathways from Community College to Graduate School and Chemistry Careers	47.076		$ 738,102	$ -
Math Persistence Inquiry and Equity	47.076		100,884	-
Passed through Jeffereson Community College and Technical College				
Geopatial Technology Center of Excellence: "Growing the Workforce"	47.076	DUE-1700496	40,811	-
U.S. Department of Education				
Title V: Hispanic-Serving Institutions	84.031S		88,453	-
Passed through San Diego State University Research Foundation				
Developing Effective Bilingual Educators with Resources	84.031S	[1]	28,507	-
Subtotal Research and Development Cluster			996,757	-
U.S. Department of Housing and Urban Development				
Passed through City of San Diego				
Community Development Block Grant	14.218	CED-FY22-009-01	48,940	-
U.S. Department of Agriculture				
Passed through Foundation for California Community Colleges				
Fresh Success	10.561	00002244 / 00005056	68,451	-
U.S. Department of Justice				
San Diego Campus Violence Prevention Project Consortium	16.525		25,677	-
Small Business Administration				
Small Business Administration	59.037		994,230	579,520
COVID-19: Small Business Administration	59.037		498,649	-
Subtotal			1,492,879	579,520
Women's Business Center	59.043		116,865	-
COVID-19: Women's Business Center	59.043		110,931	-
Subtotal			227,796	-
Subtotal Small Business Administration			1,720,675	579,520
Total Federal Financial Assistance			$ 84,399,791	$ 7,819,672

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

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
Adult Education Block Grant	$ 148,134	$ -	$ 51,359	$ 96,775	$ 96,775
E.O.P.S.	2,752,898	-	441,575	2,311,323	2,311,323
C.A.R.E.	463,880	-	288,169	175,711	175,711
D.S.P.S.	1,926,446	-	-	1,926,446	1,340,924
CALWORKs	697,788	-	36,506	661,282	661,282
Retention and Enrollment Outreach	1,194,354	-	1,194,354	-	-
Nursing Education	200,190	-	24,218	175,972	175,972
Guided Pathways Project	462,495	-	274,521	187,974	187,974
Strong Workforce Program	4,367,001	-	2,314,657	2,052,344	2,052,344
Equal Employment Opportunity	95,395	-	76,317	19,078	19,078
BFAP Financial Aid Allowance	149,402	49,137	188,766	9,773	9,773
Veteran Resource Center	857,180	-	717,190	139,990	139,990
Classified Professional Development	54,934	-	52,973	1,961	1,961
California College Promise	2,114,041	-	1,222,698	891,343	891,343
Mental Health Services	322,320	-	322,320	-	-
Matriculation Assessment (Student Equity Award)	4,473,254	-	612,746	3,860,508	3,860,508
Matriculation Non Credit (Student Equity Award)	127,878	9,887	82,896	54,869	54,869
Student Equity and Achievement	2,708,307	-	878,819	1,829,488	1,799,658
Education Futures Grant	-	90,113	-	90,113	90,113
Go-Biz	2,134,514	234,793	875,601	1,493,706	1,493,706
Technical Assistance Expansion Program	3,218,351	269,613	1,674,354	1,813,610	1,813,610
Physical Plant & Instructional Support	6,702,549	-	651,178	6,051,371	5,686,430
Student Success Completion	4,294,613	-	930,922	3,363,691	3,363,691
Total state programs	$ 39,465,924	$ 653,543	$ 12,912,139	$ 27,207,328	$ 26,227,035

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2021 only)			
1. Noncredit*	17.55	-	17.55
2. Credit	1,300.04	-	1,300.04
B. Summer Intersession (Summer 2022 - Prior to July 1, 2022)			
1. Noncredit*	1.96	-	1.96
2. Credit	0.27	-	0.27
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,126.24	-	5,126.24
(b) Daily Census Contact Hours	445.01	-	445.01
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	105.42	-	105.42
(b) Credit	364.43	-	364.43
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	3,361.75	-	3,361.75
(b) Daily Census Procedure Courses	1,580.97	-	1,580.97
(c) Noncredit Independent Study/Distance Education Courses	3.11	-	3.11
D. Total FTES	12,306.75	-	12,306.75
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	-	-	-
2. Credit	108.57	-	108.57
CCFS-320 Addendum			
CDCP Noncredit FTES	28.41	-	28.41
Centers FTES			
1. Noncredit*	-	-	-
2. Credit	3,295.31	-	3,295.31

*Including Career Development and College Preparation (CDCP) FTES.

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 18,866,840	$ -	$ 18,866,840	$ 18,866,840	$ -	$ 18,866,840
Other	1300	18,530,921	-	18,530,921	18,530,921	-	18,530,921
Total Instructional Salaries		37,397,761	-	37,397,761	37,397,761	-	37,397,761
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	10,567,727	-	10,567,727
Other	1400	-	-	-	898,902	-	898,902
Total Noninstructional Salaries		-	-	-	11,466,629	-	11,466,629
Total Academic Salaries		37,397,761	-	37,397,761	48,864,390	-	48,864,390
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	18,785,457	-	18,785,457
Other	2300	-	-	-	975,616	-	975,616
Total Noninstructional Salaries		-	-	-	19,761,073	-	19,761,073
Instructional Aides							
Regular Status	2200	3,492,451	-	3,492,451	3,492,451	-	3,492,451
Other	2400	868,391	-	868,391	868,391	-	868,391
Total Instructional Aides		4,360,842	-	4,360,842	4,360,842	-	4,360,842
Total Classified Salaries		4,360,842	-	4,360,842	24,121,915	-	24,121,915
Employee Benefits	3000	13,863,452	-	13,863,452	28,022,901	-	28,022,901
Supplies and Material	4000	-	-	-	1,343,858	-	1,343,858
Other Operating Expenses	5000	663,108	-	663,108	10,027,168	-	10,027,168
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		56,285,163	-	56,285,163	112,380,232	-	112,380,232

Exclusions	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 1,360,696	$ -	$ 1,360,696	$ 1,360,696	$ -	$ 1,360,696
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,101,537	-	1,101,537
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	52,194	-	52,194
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	55,656	-	55,656
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	55,656	-	55,656
Total Capital Outlay					107,850	-	107,850
Other Outgo	7000	-	-	-	265,470	-	265,470
Total Exclusions		1,360,696	-	1,360,696	2,835,553	-	2,835,553
Total for ECS 84362, 50 % Law		$ 54,924,467	$ -	$ 54,924,467	$ 109,544,679	$ -	$ 109,544,679
% of CEE (Instructional Salary Cost/Total CEE)		50.14%		50.14%	100.00%		100.00%
50% of Current Expense of Education					$ 54,772,340		$ 54,772,340

Activity Classification	Object Code			Unrestricted
EPA Proceeds:	8630			$ 29,873,831
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 29,873,831	$ -	$ -	$ 29,873,831
Total Expenditures for EPA		$ 29,873,831	$ -	$ -	$ 29,873,831
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 22,745,047	
Special Revenue Funds	2,342,436	
Capital Project Funds	321,276,358	
Debt Service Funds	52,736,636	
Proprietary Funds	5,858,130	
Internal Service Funds	581,156	
Fiduciary Funds	8,325,654	
Total fund balance - all District funds		$ 413,865,417
Amounts held in trust on behalf of others (OPEB Trust)		(8,325,654)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	637,438,568	
Accumulated depreciation is	(129,882,352)	
Total capital assets, net		507,556,216
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to debt refunding	27,377,732	
Deferred outflows of resources related to OPEB	9,157,948	
Deferred outflows of resources related to pensions	27,429,660	
Total deferred outflows of resources		63,965,340
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(10,604,152)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	$ (838,283,136)	
Lease revenue bonds	(378,841)	
Compensated absences	(4,608,464)	
Load banking	(2,066,714)	
Supplemental employee retirement plan	(2,783,269)	
Aggregate net other postemployment benefits (OPEB) liability	(17,158,421)	
Aggregate net pension liability	(80,945,633)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(30,944,788)	
Total long-term liabilities		$ (977,169,266)
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to debt refunding	(497,368)	
Deferred inflows of resources related to OPEB	(6,796,388)	
Deferred inflows of resources related to pensions	(52,138,746)	
Total deferred inflows of resources		(59,432,502)
Total net position (deficit)		$ (70,144,601)

Note 1 - Purpose of Schedules

District Organization

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

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

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

Schedule of Expenditures of State Awards

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

Independent Auditor’s Reports
June 30, 2022

Southwestern Community College District

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Southwestern Community College District
Chula Vista, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the remaining fund information of Southwestern Community College District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Financial Statement Findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our report and described in the accompanying Financial Statement Findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2022

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

Board of Trustees
Southwestern Community College District
Chula Vista, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southwestern Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2022

Independent Auditor's Report on State Compliance

Board of Trustees
Southwestern Community College District
Chula Vista, California

Report on State Compliance

We have audited Southwestern Community College District's (the District) compliance with the types of compliance requirements described in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2022.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted in the table below that were audited for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the standards and procedures identified in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

Compliance Requirements Tested

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

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 499	COVID-19 Response Block Grant Expenditures

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

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

The purpose of this report on State compliance is solely to describe the results of our testing based on the requirements of the 2021-2022 California Community Colleges Chancellor's *Office Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2022

Schedule of Findings and Questioned Costs
June 30, 2022

Southwestern Community College District

Financial Statements

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

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs	$2,531,994
Auditee qualified as low-risk auditee?	No

State Compliance

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

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

2022-001 Financial Reporting and Closing Process

Criteria or Specific Requirements

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

Condition

Material Weakness – The District's state general apportionment reported in the unrestricted General Fund was overstated by $3,222,630. This overstatement resulted in incorrectly reported the restricted accounts receivable balance by the same amount.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

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

Effect

The District's unrestricted general fund balance was overstated by $3,222,630, which resulted in incorrectly reporting the restricted accounts receivable balance by the same amount.

Cause

District year-end reconciliation controls failed to identify the overstatement in the general fund apportionment account.

Repeat Finding: (Yes or No)

Yes. See schedule of prior audit findings 2021-001.

Recommendation

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

View of Responsible Official and Corrective Action Plan

We concur. The District will review its existing procedures in recording revenue received from different funding sources and make changes as necessary to increase accuracy. The Director of Financial Services will review all classification of funding sources in the general ledger and direct the proper maintenance of award letters. The District notes that the overstatement of revenue was related to the state's unusual deferral of categorical revenue (apparently an impact of the cash flow during the pandemic). The District has identified the cause of the oversight and anticipates this will not occur again due to the unusual nature of the situation. The District will review apportionment schedules, reconcile to the general ledger and ensure all bank account and county reconciliations are completed on a timely basis which will in turn ensure all revenue is recorded timely and accurately.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2021-001 Financial Reporting and Closing Process

Criteria or Specific Requirements

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

Condition

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

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

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

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

Effect

Material adjustments to the general ledger were proposed as a result of audit procedures. These adjustments were accepted by management to ensure the financial statements were presented in accordance with generally accepted accounting principles.

Cause

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

Repeat Finding: (Yes or No)

No.

Recommendation

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

Current Status

Partially implemented. See current year finding 2022-001.

Federal Awards Findings

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

Criteria or Specific Requirements

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

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

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

Condition

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

9 of 60 Return to Title IV calculations were not done within the 45-day requirement.

2 of 23 unofficial withdrawal Return to Title IV calculations had a withdrawal determination date outside of the required 30 days following the term end.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Repeat Finding: (Yes or No)

No.

Recommendation

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

Current Status

Implemented.

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

Criteria or Specific Requirements

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

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

Condition

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

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Repeat Finding: (Yes or No)

No.

Recommendation

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

Current Status

Implemented.

2021-004 Reporting
Program Name: Covid-19: Higher Education Emergency Relief Funds, Student Aid Portion and COVID-19: Higher Education Emergency Relief Funds, Institutional Portion
Federal Assistance Listing Numbers: 84.425E and 84.425F
Federal Agency: U.S. Department of Education (ED)
Direct funded by the U.S. Department of Education (ED)

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Repeat Finding: (Yes or No)

No.

Recommendation

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

Current Status

Implemented.

State Compliance Findings

None reported.