



Financial Statements  
June 30, 2024

# Southwestern Community College District

Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements	
Primary Government	
Statement of Net Position .....	14
Statement of Revenues, Expenses, and Changes in Net Position.....	15
Statement of Cash Flows .....	16
Fiduciary Fund	
Statement of Net Position .....	18
Statement of Changes in Net Position .....	19
Notes to Financial Statements .....	20
Required Supplementary Information	
Schedule of Changes in the District's Net OPEB Liability and Related Ratios.....	57
Schedule of the District's Contributions for OPEB.....	59
Schedule of OPEB Investment Returns .....	60
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program.....	61
Schedule of the District's Proportionate Share of the Net Pension Liability .....	62
Schedule of the District Contributions for Pensions.....	64
Notes to Required Supplementary Information .....	66
Supplementary Information	
District Organization .....	68
Schedule of Expenditures of Federal Awards .....	69
Schedule of Expenditures of State Awards .....	71
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance .....	74
Reconciliation of <i>Education Code</i> Section 84362 (50% Law) Calculation .....	75
Proposition 30 Education Protection Account (EPA) Expenditure Report.....	78
Reconciliation of Governmental Funds to the Statement of Net Position .....	79
Notes to Supplementary Information.....	81
Independent Auditor's Reports	
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 <i>Government Auditing     Standards</i> .....	83
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance .....	85
Independent Auditor's Report on State Compliance.....	88

## Schedule of Findings and Questioned Costs

Summary of Auditor's Results.....	91
Financial Statement Findings and Recommendations.....	92
Federal Awards Findings and Questioned Costs.....	93
State Compliance Findings and Questioned Costs.....	94
Summary Schedule of Prior Audit Findings.....	95



## Independent Auditor's Report

To the 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 fiduciary activities of Southwestern Community College District (the District) as of and for the year ended June 30, 2024, 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 fiduciary activities of Southwestern Community College District as of June 30, 2024, 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 4 through 13 and other required supplementary schedules as listed in the table of contents on pages 57 through 65 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 GAAS, 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* 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
December 12, 2024

## INTRODUCTION

The following provides an overview of Southwestern Community College District (the District) financial position and activities for the year ended June 30, 2024. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

### Getting to Know Southwestern Community College District

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.

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, the District established its Higher Education Center at San Ysidro on the memorial site of the McDonalds tragedy. The District again expanded its off-campus locations in 1998 by establishing the Higher Education Center at National City. The 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, the District 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 28,000 students each year. More than a half-million students have attended Southwestern College since its inception.

The Accrediting Commission for Community and Junior Colleges (ACCJC) has continuously accredited the District. The District offers a comprehensive curriculum, preparing students for transfer to four-year colleges or universities and for jobs and career advancement.

Southwestern College is a Hispanic-Serving-Institution (HSI) 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. The establishment of Restorative Justice Program, which provides face-to-face instruction for incarcerated students at the Richard J. Donovan Correctional Facility, highlights the College commitment to serve the community. The College District has College and Career Access Pathways (CCAP) agreements with both public school districts and several charter and private schools in its service area providing college courses to many 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.

### **Commitment to Equity, Diversity, and Inclusion**

Southwestern Community College District 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 the District recognizes that our differences, as well as our commonalities promote integrity and resilience in our evolving and changing communities. Furthermore, the 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 District's Governing Board 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.

### **Financial Standards and District Budgeting and Financial Management**

The District's financial statements are presented in accordance with the 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.

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. Most of the 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 in 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.

#### **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 three factors are student enrollment fees (\$46 per unit), the Educational Protection Account (EPA) and local property taxes. The primary source of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Funded FTES were 15,146.41 for FY2023-2024.
- The District's total combined net position was \$(63,007,340) at June 30, 2024. This is a change from the total combined net position as of June 30, 2023, which reflected \$(72,125,722).
- A cost-of-living adjustment (COLA) of 8.22% to SCFF apportionment was included in the FY 2023-2024 Budget Act.
- At June 30, 2024, the fair market value of the District's Other Postemployment Benefits (OPEB) trust was \$8.9 million, and the District's GASB Statement No. 75 OPEB liability of \$17.7 million is 34% 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, 2024 and 2023 are summarized below:

	2024	2023	Change
<b>Assets</b>			
Cash and investments	\$ 296,744,060	\$ 393,545,105	\$ (96,801,045)
Receivables	32,310,332	34,006,816	(1,696,484)
Other current assets	593,307	521,069	72,238
Capital assets, net	632,661,322	542,639,093	90,022,229
<b>Total assets</b>	<b>962,309,021</b>	<b>970,712,083</b>	<b>(8,403,062)</b>
Deferred outflows of resources	95,926,343	77,481,882	18,444,461
<b>Liabilities</b>			
Accounts payable and accrued liabilities	94,839,302	96,358,640	(1,519,338)
Current portion of long-term liabilities	23,786,898	21,026,898	2,760,000
Noncurrent portion of long-term liabilities	983,897,805	977,586,618	6,311,187
<b>Total liabilities</b>	<b>1,102,524,005</b>	<b>1,094,972,156</b>	<b>7,551,849</b>
Deferred inflows of resources	18,718,699	25,347,531	(6,628,832)
<b>Net Position (Deficit)</b>			
Net investment in capital assets	29,174,688	16,821,268	12,353,420
Restricted	40,052,657	45,822,143	(5,769,486)
Unrestricted (deficit)	(132,234,685)	(134,769,133)	2,534,448
<b>Total net position (deficit)</b>	<b>\$ (63,007,340)</b>	<b>\$ (72,125,722)</b>	<b>\$ 9,118,382</b>

## 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, 2024 and 2023, are summarized and presented below:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Operating Revenues			
Tuition and fees, net	\$ 9,765,762	\$ 8,637,636	\$ 1,128,126
Grants and contracts, noncapital	47,578,612	54,885,903	(7,307,291)
Auxiliary sales and charges	4,696,536	4,568,576	127,960
Total operating revenues	<u>62,040,910</u>	<u>68,092,115</u>	<u>(6,051,205)</u>
Operating Expenses			
Salaries and employee benefits	159,522,951	141,313,297	18,209,654
Supplies, materials, and other operating	38,409,736	45,282,399	(6,872,663)
Student financial aid	66,369,346	54,434,649	11,934,697
Depreciation	23,694,392	23,365,493	328,899
Total operating expenses	<u>287,996,425</u>	<u>264,395,838</u>	<u>23,600,587</u>
Operating loss	<u>(225,955,515)</u>	<u>(196,303,723)</u>	<u>(29,651,792)</u>
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	87,903,132	75,363,879	12,539,253
Property taxes	79,585,349	71,746,706	7,838,643
Student financial aid grants	60,496,697	47,799,225	12,697,472
State revenues	6,403,568	6,284,484	119,084
Net interest expense	(7,518,871)	(15,971,566)	8,452,695
Other nonoperating revenues	8,204,022	9,099,874	(895,852)
Total nonoperating revenues (expenses)	<u>235,073,897</u>	<u>194,322,602</u>	<u>40,751,295</u>
Change in net position (deficit)	<u>\$ 9,118,382</u>	<u>\$ (1,981,121)</u>	<u>\$ 11,099,503</u>

Southwestern Community College District  
Management's Discussion and Analysis  
June 30, 2024

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, 2024:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 87,225,895	\$ 3,900,644	\$ -	\$ -	\$ 91,126,539
Academic support	8,874,741	354,184	-	-	9,228,925
Student services	22,054,439	2,209,322	-	-	24,263,761
Plant operations and maintenance	5,351,081	4,127,622	-	-	9,478,703
Instructional support services	24,341,134	6,316,285	-	-	30,657,419
Community services and economic development	4,996,197	6,207,972	-	-	11,204,169
Ancillary services and auxiliary operations	6,473,296	3,882,120	-	-	10,355,416
Physical property and related acquisitions	206,168	11,363,807	-	-	11,569,975
Student aid	-	47,780	66,369,346	-	66,417,126
Unallocated depreciation	-	-	-	23,694,392	23,694,392
Total	<u>\$ 159,522,951</u>	<u>\$ 38,409,736</u>	<u>\$ 66,369,346</u>	<u>\$ 23,694,392</u>	<u>\$ 287,996,425</u>

## 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, 2024 and 2023, are summarized and presented below:

	2024	2023	Change
Net Cash Flows from			
Operating activities	\$ (214,484,265)	\$ (163,931,162)	\$ (50,553,103)
Noncapital financing activities	205,951,695	172,753,591	33,198,104
Capital financing activities	(105,385,627)	(62,727,984)	(42,657,643)
Investing activities	17,117,152	6,789,138	10,328,014
Change in Cash and Cash Equivalents	(96,801,045)	(47,116,417)	(49,684,628)
Cash and Cash Equivalents, Beginning of Year	393,545,105	440,661,522	(47,116,417)
Cash and Cash Equivalents, End of Year	\$ 296,744,060	\$ 393,545,105	\$ (96,801,045)

### CAPITAL ASSETS AND LONG-TERM LIABILITIES

#### Capital Assets

As of June 30, 2024, the District had \$632.7 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 \$176.9 million. Depreciation expense of \$23.7 million was recorded for the fiscal year. Note 6 to the financial statements provides additional information on capital assets.

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
Capital Assets				
Land and construction in progress	\$ 93,009,208	\$ 112,461,697	\$ (4,937,016)	\$ 200,533,889
Buildings and improvements	587,399,710	4,937,016	-	592,336,726
Furniture, equipment and vehicles	15,478,020	1,254,924	-	16,732,944
Subtotal capital assets	695,886,938	118,653,637	(4,937,016)	809,603,559
Accumulated depreciation	(153,247,845)	(23,694,392)	-	(176,942,237)
Total capital assets, net	\$ 542,639,093	\$ 94,959,245	\$ (4,937,016)	\$ 632,661,322

### Long-Term Liabilities other than OPEB and Pensions

At June 30, 2024, the District had \$840.9 million in outstanding long-term liabilities compared to \$861.2 million at June 30, 2023. We present more detailed information regarding our long-term liabilities in Note 7 to the financial statements.

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
General obligation bonds	\$ 850,185,418	\$ 3,605,890	\$ (22,413,861)	\$ 831,377,447
Lease revenue bonds	261,920	-	(261,920)	-
Other liabilities	10,796,647	416,614	(1,721,644)	9,491,617
<b>Total long-term liabilities</b>	<b><u>\$ 861,243,985</u></b>	<b><u>\$ 4,022,504</u></b>	<b><u>\$ (24,397,425)</u></b>	<b><u>\$ 840,869,064</u></b>
Amount due within one year				<u>\$ 23,786,898</u>

### OPEB and Pension Liabilities

At June 30, 2024, the District has an aggregate other postemployment benefit liability (OPEB) of \$18,072,594 compared to \$13,087,729 at June 30, 2023, a net increase of \$4,984,865 or 38.1%.

At June 30, 2024, the District has an aggregate net pension liability of \$148,743,045 compared to \$124,281,802 at June 30, 2023, a net increase of \$24,461,243 or 19.7%.

### STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK

The FY 2024-2025 Budget Act increases Proposition 98 funding for community colleges over FY 2023-2024 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 1.07%.

The District's unrestricted general fund revenue budget for FY 2024-2025 is \$144.4 million, compared to FY 2023-2024 budgeted revenues of \$141.5 million, an 2% increase.

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

Basic Allocation	\$ 15.19
Full-Time Equivalent Students	\$ 80.92
Supplemental Allocation	\$ 24.70
Student Success	<u>\$ 13.17</u>
Total	\$133.98

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

California State principal apportionment	\$ 60.31
Educational Protection Account	\$ 27.15
Property taxes	\$ 40.88
Enrollment fees	<u>\$ 5.64</u>
Total	\$133.98

The District projects other unrestricted general fund revenue of \$12.98 million including locally generated revenue, lottery proceeds and non-resident tuition.

The District's FY 2024-2025 General Fund unrestricted budgeted expenses of \$145.5 million compared to FY 2023-2024 budgeted expenses of \$140.1 million, representing a 4% increase.

The total District-wide expense budget for all funds in FY 2024-2025 is \$197.8 million.

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

- Committed for Economic Uncertainty: \$24.67 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.

# Southwestern Community College District

## Statement of Net Position

June 30, 2024

<b>Assets</b>	
Cash and cash equivalents	\$ 21,615,375
Investments	275,128,685
Accounts receivable	24,420,528
Student receivables	7,889,804
Prepaid expenses	74,450
Inventories	518,857
Capital assets not being depreciated	200,533,889
Capital assets, net of accumulated depreciation	<u>432,127,433</u>
<b>Total assets</b>	<u><b>962,309,021</b></u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to debt refunding	24,878,542
Deferred outflows of resources related to OPEB	12,742,020
Deferred outflows of resources related to pensions	<u>58,305,781</u>
<b>Total deferred outflows of resources</b>	<u><b>95,926,343</b></u>
<b>Liabilities</b>	
Accounts payable	43,478,682
Accrued interest payable	10,053,312
Unearned revenue	41,307,308
<b>Long-term liabilities</b>	
Long-term liabilities other than OPEB and pensions, due within one year	23,786,898
Long-term liabilities other than OPEB and pensions, due in more than one year	817,082,166
Aggregate net other postemployment benefits (OPEB) liability	18,072,594
Aggregate net pension liability	<u>148,743,045</u>
<b>Total liabilities</b>	<u><b>1,102,524,005</b></u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to debt refunding	165,790
Deferred inflows of resources related to OPEB	8,501,643
Deferred inflows of resources related to pensions	<u>10,051,266</u>
<b>Total deferred inflows of resources</b>	<u><b>18,718,699</b></u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	29,174,688
<b>Restricted for</b>	
Debt service	30,905,194
Capital projects	7,339,805
Educational programs	592,568
Other activities	1,215,090
Unrestricted (deficit)	<u>(132,234,685)</u>
<b>Total net position (deficit)</b>	<u><b>\$ (63,007,340)</b></u>

Southwestern Community College District  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2024

Operating Revenues	
Tuition and fees	\$ 22,415,118
Less: Scholarship discounts and allowances	<u>(12,649,356)</u>
Net tuition and fees	<u>9,765,762</u>
Grants and contracts, noncapital	
Federal	7,908,960
State	38,538,494
Local	<u>1,131,158</u>
Total grants and contracts, noncapital	<u>47,578,612</u>
Auxiliary enterprise sales and charges	
Bookstore	2,634,802
Food service	1,561,774
Other enterprise	<u>499,960</u>
Total auxiliary enterprise sales and charges	<u>4,696,536</u>
Total operating revenues	<u>62,040,910</u>
Operating Expenses	
Salaries	110,061,006
Employee benefits	49,461,945
Supplies, materials, and other operating expenses and services	38,409,736
Student financial aid	66,369,346
Depreciation	<u>23,694,392</u>
Total operating expenses	<u>287,996,425</u>
Operating Loss	<u>(225,955,515)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	87,903,132
Local property taxes, levied for general purposes	40,235,972
Taxes levied for other specific purposes	39,349,377
Federal and State financial aid grants	60,496,697
State taxes and other revenues	6,403,568
Investment income, net	16,045,592
Interest expense on capital related debt	(25,776,995)
Investment income on capital asset-related debt, net	2,212,532
Other nonoperating revenues	<u>8,204,022</u>
Total nonoperating revenues (expenses)	<u>235,073,897</u>
Change In Net Position (Deficit)	9,118,382
Net Position (Deficit), Beginning of Year	<u>(72,125,722)</u>
Net Position (Deficit), End of Year	<u><u>\$ (63,007,340)</u></u>

# Southwestern Community College District

## Statement of Cash Flows

Year Ended June 30, 2024

Operating Activities	
Tuition and fees	\$ 8,849,925
Federal, state, and local grants and contracts, noncapital	47,956,472
Auxiliary enterprise sales and charges	4,696,536
Payments to or on behalf of employees	(156,573,440)
Payments to vendors for supplies and services	(53,044,412)
Payments to students for scholarships and grants	(66,369,346)
Net cash flows from operating activities	(214,484,265)
Noncapital Financing Activities	
State apportionments	95,057,898
Federal and state financial aid grants	52,439,697
Property taxes - nondebt related	40,235,972
State taxes and other apportionments	6,131,350
Other nonoperating	12,086,778
Net cash flows from noncapital financing activities	205,951,695
Capital Financing Activities	
Purchase of capital assets	(101,685,714)
Property taxes - related to capital debt	39,349,377
Principal paid on capital debt	(19,575,000)
Interest paid on capital debt	(24,480,609)
Interest received on capital asset-related debt	1,006,319
Net cash flows from capital financing activities	(105,385,627)
Investing Activities	
Change in fair value of cash in county treasury	6,201,295
Interest received from investments	10,915,857
Net cash flows from investing activities	17,117,152
Change In Cash and Cash Equivalents	(96,801,045)
Cash and Cash Equivalents, Beginning of Year	393,545,105
Cash and Cash Equivalents, End of Year	\$ 296,744,060

# Southwestern Community College District

## Statement of Cash Flows

Year Ended June 30, 2024

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	<u>\$ (225,955,515)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	23,694,392
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(6,035,433)
Student receivables	3,946,888
Inventories	(12,017)
Prepaid expenses	(60,221)
Deferred outflows of resources related to OPEB	(3,589,457)
Deferred outflows of resources related to pensions	(16,104,599)
Accounts payable	(13,596,906)
Unearned revenue	1,550,568
Compensated absences	(269,746)
Load banking	416,614
Supplemental employee retirement plan	(1,451,898)
Aggregate net OPEB liability	4,984,865
Aggregate net pension liability	24,461,243
Deferred inflows of resources related to OPEB	(1,396,510)
Deferred inflows of resources related to pensions	<u>(5,066,533)</u>
Total adjustments	<u>11,471,250</u>
Net cash flows from operating activities	<u><u>\$ (214,484,265)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	\$ 21,615,375
Cash in county treasury	<u>275,128,685</u>
Total cash and cash equivalents	<u><u>\$ 296,744,060</u></u>
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	\$ 3,100,781
Accretion of interest on capital appreciation bonds	\$ 3,605,890

Southwestern Community College District

Fiduciary Fund - Statement of Net Position

June 30, 2024

---

	Retiree OPEB Trust
Assets	
Investments	\$ 9,959,743
Net Position	
Restricted for postemployment benefits other than pensions	\$ 9,959,743

Southwestern Community College District  
Fiduciary Fund - Statement of Changes in Net Position  
Year Ended June 30, 2024

---

	Retiree OPEB Trust
	<u>                    </u>
Additions	
District contributions	\$ 1,602,491
Interest and investment income	287,293
Net realized and unrealized gain	<u>745,030</u>
Total additions	<u>2,634,814</u>
Deductions	
Benefit payments	1,602,491
Administrative expenses	<u>11,920</u>
Total deductions	<u>1,614,411</u>
Change in Net Position	1,020,403
Net Position - Beginning of Year	<u>8,939,340</u>
Net Position - End of Year	<u><u>\$ 9,959,743</u></u>

**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. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore, food service, and enterprise activities.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, 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 are 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 using 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, 2024.

**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 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, OPEB and pension related items.

### **Pensions**

For purposes of measuring the aggregate 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 aggregate 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 Statement of Net Position 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.

**Noncurrent Liabilities**

Noncurrent liabilities include general obligation bonds, lease revenue bonds, 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. The District has related debt outstanding as of June 30, 2024. 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 \$40,052,657 of restricted net position, and the fiduciary fund financial statements report \$9,959,743 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, noncapital 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 and are recorded in the District's financial records when received. 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 by the County of San Diego and remitted to the District.

**Scholarship Discounts and Allowances**

Tuition and fee revenue is reported net of scholarship discounts 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* 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 differences 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.

### **Adoption of New Accounting Standard**

#### **Implementation of GASB Statement No. 100**

As of July 1, 2023, the District adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

### **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, 2024, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	\$ 21,575,659	\$ -
Cash in revolving	39,716	-
Investments	275,128,685	9,959,743
Total deposits and investments	<u>\$ 296,744,060</u>	<u>\$ 9,959,743</u>

### 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 Treasury Investment Pool and the Mutual 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
Mutual funds	\$ 9,959,743	No maturity	Not rated
San Diego County Treasury Investment Pool	275,128,685	449	AA+
Total	<u>\$ 285,088,428</u>		

### Credit Risk

This 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 Mutual funds are not required to be rated, nor have they been rated as of June 30, 2024. The San Diego County Treasury Investment Pool was rated AA+ by Fitch Ratings, Inc. as of June 30, 2024.

### Custodial Credit Risk – Deposits and Investments

#### 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, 2024, the District's bank balance of approximately \$21.6 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

## Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2024, the District's investment balance of approximately \$9.5 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, 2024:

Investment Type	Fair Value	Fair Value Measurements Using Level 3 Inputs
Mutual funds	\$ 9,959,743	\$ 9,959,743

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, 2024 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	\$ 2,488,921
State Government	
Apportionment	11,860,609
Categorical aid	1,671,905
Lottery	768,912
Local Sources	
Interest	3,117,779
Other local sources	4,512,402
Total	<u>\$ 24,420,528</u>
Student receivables	<u>\$ 7,889,804</u>

**Note 6 - Capital Assets**

Capital asset activity for the District for the year ended June 30, 2024, was as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
Capital Assets Not Being Depreciated				
Land	\$ 9,703,148	\$ -	\$ -	\$ 9,703,148
Construction in progress	83,306,060	112,461,697	(4,937,016)	190,830,741
Total capital assets not being depreciated	<u>93,009,208</u>	<u>112,461,697</u>	<u>(4,937,016)</u>	<u>200,533,889</u>
Capital Assets Being Depreciated				
Buildings and improvements	485,585,762	3,017,486	-	488,603,248
Land improvements	101,813,948	1,919,530	-	103,733,478
Furniture and equipment	15,478,020	1,254,924	-	16,732,944
Total capital assets being depreciated	<u>602,877,730</u>	<u>6,191,940</u>	<u>-</u>	<u>609,069,670</u>
Less Accumulated Depreciation				
Buildings and improvements	(93,225,493)	(16,529,610)	-	(109,755,103)
Land improvements	(47,687,902)	(5,543,148)	-	(53,231,050)
Furniture and equipment	(12,334,450)	(1,621,634)	-	(13,956,084)
Total accumulated depreciation	<u>(153,247,845)</u>	<u>(23,694,392)</u>	<u>-</u>	<u>(176,942,237)</u>
Total capital assets, net	<u>\$ 542,639,093</u>	<u>\$ 94,959,245</u>	<u>\$ (4,937,016)</u>	<u>\$ 632,661,322</u>

**Note 7 - 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, 2024 consisted of the following:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Due in One Year
General obligation bonds	\$ 792,650,489	\$ 3,605,890	\$ (19,315,000)	\$ 776,941,379	\$ 22,335,000
Bond premium	57,534,929	-	(3,098,861)	54,436,068	-
Lease revenue bonds	260,000	-	(260,000)	-	-
Bond premium	1,920	-	(1,920)	-	-
Compensated absences	3,929,100	-	(269,746)	3,659,354	-
Load banking	1,537,523	416,614	-	1,954,137	-
Supplemental employee retirement plan	5,330,024	-	(1,451,898)	3,878,126	1,451,898
Total	<u>\$ 861,243,985</u>	<u>\$ 4,022,504</u>	<u>\$ (24,397,425)</u>	<u>\$ 840,869,064</u>	<u>\$ 23,786,898</u>

**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 is 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 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 B, in the amounts of \$84,335,000. 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, 2022 through the maturity date of August 1, 2039.

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.

# Southwestern Community College District

## Notes to Financial Statements

June 30, 2024

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 July 1, 2023	Issued	Accreted Interest	Redeemed	Bonds Outstanding June 30, 2024
2004	8/1/29	2.50% - 5.00%	\$ 49,353,974	\$ 33,874,654	\$ -	\$ 1,846,167	\$ -	\$ 35,720,821
2011	8/1/46	5.00% - 7.30%	68,730,371	23,785,835	-	1,759,723	-	25,545,558
2014	8/1/25	5.00%	27,045,000	10,670,000	-	-	(3,250,000)	7,420,000
2016	8/1/39	3.00% - 5.00%	84,335,000	82,430,000	-	-	(2,150,000)	80,280,000
2017	8/1/47	3.00% - 5.00%	140,000,000	103,760,000	-	-	(160,000)	103,600,000
2020	8/1/39	0.25% - 4.00%	25,000,000	21,465,000	-	-	(1,820,000)	19,645,000
2020	8/1/40	0.25% - 4.00%	30,000,000	18,305,000	-	-	(1,025,000)	17,280,000
2020	8/1/40	0.37% - 2.63%	56,530,000	53,930,000	-	-	(1,000,000)	52,930,000
2021	8/1/46	2.37% - 4.00%	46,000,000	45,000,000	-	-	(1,575,000)	43,425,000
2021	8/1/44	0.26% - 3.12%	150,970,000	150,440,000	-	-	(800,000)	149,640,000
2021	8/1/46	1.00% - 4.00%	73,620,000	73,620,000	-	-	(810,000)	72,810,000
2021	8/1/46	0.15% - 4.00%	184,000,000	175,370,000	-	-	(6,725,000)	168,645,000
				<u>\$ 792,650,489</u>	<u>\$ -</u>	<u>\$ 3,605,890</u>	<u>\$ (19,315,000)</u>	<u>\$ 776,941,379</u>

# Southwestern Community College District

Notes to Financial Statements

June 30, 2024

## Debt Service Requirement to Maturity

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
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	12,940,000	22,371,970	35,311,970
2029	14,810,000	21,872,414	36,682,414
2030-2034	106,315,000	100,032,261	206,347,261
2035-2039	173,375,000	76,121,428	249,496,428
2040-2044	205,515,000	43,348,945	248,863,945
2045-2048	159,575,000	9,038,627	168,613,627
Total	<u>\$ 715,675,000</u>	<u>\$ 342,580,578</u>	<u>\$ 1,058,255,578</u>

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

<u>Fiscal Year</u>	<u>Principal (Including accreted interest to date)</u>	<u>Accreted Interest</u>	<u>Total</u>
2025	\$ 3,812,211	\$ 97,789	\$ 3,910,000
2026	3,865,006	309,994	4,175,000
2027	7,942,461	1,107,539	9,050,000
2028	7,905,378	1,604,622	9,510,000
2029	7,863,088	2,121,912	9,985,000
2030-2034	4,332,678	1,472,322	5,805,000
2035-2039	-	-	-
2040-2044	14,272,898	48,047,102	62,320,000
2045-2047	11,272,659	45,307,341	56,580,000
Total	<u>\$ 61,266,379</u>	<u>\$ 100,068,621</u>	<u>\$ 161,335,000</u>

## Lease Revenue Bonds

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

On October 1, 2010 the District, along with two other local California Community College Districts, refinanced these bonds in order to achieve a savings in debt service. The bonds have coupon rates ranging from 3.00% to 4.00%. 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 was made on October 1, 2023.

### 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 \$3,878,126 on behalf of the retirees through fiscal year ending June 30, 2027 in accordance with the following schedule:

Fiscal Year	2021 Plan	2023 Plan	Total
2025	\$ 477,568	\$ 974,330	\$ 1,451,898
2026	477,568	974,330	1,451,898
2027	-	974,330	974,330
Total	<u>\$ 955,136</u>	<u>\$ 2,922,990</u>	<u>\$ 3,878,126</u>

### Note 8 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the year ended June 30, 2024, 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	\$ 17,669,913	\$ 12,742,020	\$ 8,501,643	\$ (41,635)
Medicare Premium Payment (MPP) Program	<u>402,681</u>	<u>-</u>	<u>-</u>	<u>40,533</u>
Total	<u>\$ 18,072,594</u>	<u>\$ 12,742,020</u>	<u>\$ 8,501,643</u>	<u>\$ (1,102)</u>

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, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	339
Active employees	756
	<hr/>
Total	1,095
	<hr/>

**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. Effective January 1, 2020, the District pays 50% of the cost of retiree only coverage for life, and not less than \$1,600 per year. Effective July 1, 2022, the District pays 50% of the cost of retiree only coverage for life, and not less than \$2,000 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. Effective July 1, 2022, employees hired on or after January 1, 2004: the District pays a maximum \$1,250 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, with an additional amount to prefund benefits as determined feasible by District management and the District's Governing Board. For the measurement period of June 30, 2023, the District contributed \$3,206,440 to the Plan, of which \$1,206,440 was used for current premiums and \$2,000,000 was used to fund the OPEB Trust.

## 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, except 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, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	50%
Fixed Income	50%

## Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.61%. 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 \$17,669,913 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The components of the net OPEB liability of the District at June 30, 2023, were as follows:

Total OPEB liability	\$ 26,609,253
Plan fiduciary net position	<u>(8,939,340)</u>
Net OPEB liability	<u>\$ 17,669,913</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>33.59%</u>

### Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified

Salary increases	2.80%
Discount rate	4.46%
Healthcare cost trend rates	8.00%

The final equivalent single discount rate used for this year's valuation is 4.46%. This discount rate assumes the District continues to contribute the expected benefit payments for the current plan members and fund for its retiree health benefits through Meketa Investment Group. The Trust is expected to be depleted by FYE 2054 based on the current funding strategy assuming the District contributes the expected benefit payments for the current plan members.

The mortality rates utilized were based on 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, 2023 valuation were based on the results of an actual experience study as of June 30, 2023.

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, 2023, (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	7.20%
Fixed Income	7.20%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.46%. 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, 2022	\$ 19,051,235	\$ 6,325,654	\$ 12,725,581
Service cost	773,579	-	773,579
Interest	1,019,157	-	1,019,157
Changes of benefit terms	1,127,026	-	1,127,026
Difference between expected and actual experience	1,424,152	-	1,424,152
Contributions - employer	-	3,206,440	(3,206,440)
Net investment income	-	624,497	(624,497)
Changes of assumptions	4,420,544	-	4,420,544
Benefit payments	(1,206,440)	(1,206,440)	-
Administrative expense	-	(10,811)	10,811
Net change in total OPEB liability	7,558,018	2,613,686	4,944,332
Balance, June 30, 2023	\$ 26,609,253	\$ 8,939,340	\$ 17,669,913

Changes of economic assumptions reflect a change in the discount rate from 5.30% to 4.46% and a change in the healthcare cost trend rate from 6.50% to 8.00% since the previous valuation.

Changes of benefit terms are as follows: for Faculty members, effective July 1, 2022, the District pays 50% of the cost of retiree only coverage for life, and not less than \$2,000 per year and for management, effective July 1, 2022 employees hired on or after January 1, 2004: the District pays a maximum \$1,250 per year.

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

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

Discount Rate	Net OPEB Liability
1% decrease (3.46%)	\$ 20,465,377
Current discount rate (4.46%)	17,669,913
1% increase (5.46%)	15,269,469

### Sensitivity of the Net OPEB Liability to Changes in the Healthcare 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 healthcare cost trend rate that is one percent lower or higher than the current healthcare cost trend rate:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (7.00%)	\$ 14,630,023
Current healthcare cost trend rate (8.00%)	17,669,913
1% increase (9.00%)	21,361,839

### Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2024, 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	\$ 1,602,491	\$ -
Differences between expected and actual experience	3,013,990	4,487,846
Changes of assumptions	7,684,555	4,013,797
Net difference between projected and actual earnings on OPEB plan investments	440,984	-
Total	<u>\$ 12,742,020</u>	<u>\$ 8,501,643</u>

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 OPEB 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
2025	\$ 119,107
2026	92,273
2027	252,257
2028	(22,653)
Total	<u>\$ 440,984</u>

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 10 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 457,214
2026	457,213
2027	340,202
2028	(127,846)
2029	(127,855)
Thereafter	1,197,974
Total	<u>\$ 2,196,902</u>

### 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, 2022 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 benefit payments. 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, 2024, the District reported a liability of \$402,681 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods ending June 30, 2023 and June 30, 2022, was 0.1327% and 0.1099%, respectively, resulting in a net increase in the proportionate share of 0.0228%.

For the year ended June 30, 2024, the District recognized OPEB expense of \$40,533.

**Actuarial Methods and Assumptions**

The June 30, 2023 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2022, 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 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 179 or an average of 0.13% of the potentially eligible population (138,780).

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, 2023, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

### 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 (2.65%)	\$ 437,632
Current discount rate (3.65%)	402,681
1% increase (4.65%)	372,292

### **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 the Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 370,507
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	402,681
1% increase (5.50% Part A and 6.40% Part B)	439,005

### **Note 9 - 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 \$500 to \$5,000 per occurrence.

#### **Joint Powers Authority Risk Pools**

During fiscal year ended June 30, 2024, 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 2023-2024, 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 10 - 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, 2024, the District reported its proportionate share of the aggregate net pension liability, 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	\$ 68,331,324	\$ 28,807,561	\$ 8,252,536	\$ 10,488,716
CalPERS	80,411,721	29,498,220	1,798,730	14,078,838
Total	<u>\$ 148,743,045</u>	<u>\$ 58,305,781</u>	<u>\$ 10,051,266</u>	<u>\$ 24,567,554</u>

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, 2022, 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, 2024, are summarized as follows:

	On or before <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
Hire date		
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	19.10%	19.10%
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 19.10% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above, and the District's total contributions were \$10,744,856.

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

At June 30, 2024, 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	\$ 68,331,324
State's proportionate share of net pension liability associated with the District	<u>32,739,459</u>
Total	<u>\$ 101,070,783</u>

# Southwestern Community College District

## Notes to Financial Statements

June 30, 2024

The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, was 0.0897% and 0.0733%, respectively, resulting in a net increase in the proportionate share of 0.0164%.

For the year ended June 30, 2024, the District recognized pension expense of \$10,488,716. In addition, the District recognized pension expense and revenue of \$4,453,471 for support provided by the State. At June 30, 2024, 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	\$ 10,744,856	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	12,004,840	4,596,464
Differences between projected and actual earnings on pension plan investments	292,486	-
Differences between expected and actual experience in the measurement of the total pension liability	5,369,716	3,656,072
Changes of assumptions	395,663	-
Total	<u>\$ 28,807,561</u>	<u>\$ 8,252,536</u>

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
2025	\$ (2,149,756)
2026	(3,369,045)
2027	5,536,520
2028	274,767
Total	<u>\$ 292,486</u>

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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ 1,185,502
2026	1,199,857
2027	1,436,266
2028	1,356,466
2029	1,602,937
Thereafter	<u>2,736,655</u>
Total	<u>\$ 9,517,683</u>

#### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
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 reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

#### 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%)	\$ 114,620,344
Current discount rate (7.10%)	68,331,324
1% increase (8.10%)	29,882,898

**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, 2022, annual actuarial valuation report, and the Schools Pool Actuarial Valuation. These reports 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, 2024, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%	8.00%
Required employer contribution rate	26.68%	26.68%

## 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, 2024, are presented above and the total District contributions were \$10,532,587.

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

As of June 30, 2024, the District reported a net pension liability for its proportionate share of the CalPERS net pension liability totaling \$80,411,721. The net pension liability was measured as of June 30, 2023. 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 districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2023 and June 30, 2022, was 0.2221% and 0.2133%, respectively, resulting in a net increase in the proportionate share of 0.0088%.

For the year ended June 30, 2024, the District recognized pension expense of \$14,078,838. At June 30, 2024, 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	\$ 10,532,587	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,737,525	563,724
Differences between projected and actual earnings on pension plan investments	8,589,121	-
Differences between expected and actual experience in the measurement of the total pension liability	2,934,451	1,235,006
Changes of assumptions	3,704,536	-
Total	<u>\$ 29,498,220</u>	<u>\$ 1,798,730</u>

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 earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ 1,602,206
2026	949,188
2027	5,770,427
2028	<u>267,300</u>
Total	<u>\$ 8,589,121</u>

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 3.8 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ 4,146,741
2026	2,940,278
2027	<u>1,490,763</u>
Total	<u>\$ 8,577,782</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.54%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

### Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	\$ 116,254,563
Current discount rate (6.90%)	80,411,721
1% increase (7.90%)	50,788,427

**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 in the amount of \$4,936,524 (10.828% of annual payroll). 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 11 - 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 12 - 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, 2024.

**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, 2024.

**Construction Commitments**

As of June 30, 2024, the District had approximately \$162.5 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 13 - 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, 2024, were valued at \$704,719. 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, 2024, amounted to \$37,268 and have been reflected in the financial statement of the Foundation as donated facility space. Additionally, the District donated office supplies for the fiscal year ended June 30, 2024, were valued at \$43,108.



Required Supplementary Information  
June 30, 2024

## Southwestern Community College District

Southwestern Community College District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2024

	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 773,579	\$ 1,158,499	\$ 678,398	\$ 803,334
Interest	1,019,157	814,733	920,858	932,895
Changes of benefit terms	1,127,026	-	-	-
Difference between expected and actual experience	1,424,152	(940,404)	2,497,255	(2,214,040)
Changes of assumptions	4,420,544	(4,123,207)	1,346,925	(1,287,416)
Benefit payments	(1,206,440)	(1,737,471)	(1,029,122)	(990,669)
Net change in total OPEB liability	7,558,018	(4,827,850)	4,414,314	(2,755,896)
Total OPEB Liability - Beginning	19,051,235	23,879,085	19,464,771	22,220,667
Total OPEB Liability - Ending (a)	<u>\$ 26,609,253</u>	<u>\$ 19,051,235</u>	<u>\$ 23,879,085</u>	<u>\$ 19,464,771</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 3,206,440	\$ 1,737,471	\$ 1,029,122	\$ 1,290,669
Net investment income	624,497	(870,466)	1,219,301	257,130
Benefit payments	(1,206,440)	(1,737,471)	(1,029,122)	(990,669)
Administrative expense	(10,811)	(9,740)	(8,889)	(8,434)
Net change in plan fiduciary net position	2,613,686	(880,206)	1,210,412	548,696
Plan Fiduciary Net Position - Beginning	6,325,654	7,205,860	5,995,448	5,446,752
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,939,340</u>	<u>\$ 6,325,654</u>	<u>\$ 7,205,860</u>	<u>\$ 5,995,448</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 17,669,913</u>	<u>\$ 12,725,581</u>	<u>\$ 16,673,225</u>	<u>\$ 13,469,323</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33.59%	33.20%	30.18%	30.80%
Covered Employee Payroll	<u>\$ 67,376,168</u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>\$ 59,568,992</u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	26.23%	N/A <sup>1</sup>	N/A <sup>1</sup>	22.61%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

<sup>1</sup> This information was not available.

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

Southwestern Community College District  
Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2024

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 793,547	\$ 803,347	\$ 781,846
Interest	1,068,759	793,810	1,103,513
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(5,010,993)	-	-
Changes of assumptions	2,348,340	5,148,527	-
Benefit payments	(940,706)	(846,834)	(838,883)
Net change in total OPEB liability	(1,741,053)	5,898,850	1,046,476
Total OPEB Liability - Beginning	23,961,720	18,062,870	17,016,394
Total OPEB Liability - Ending (a)	<u>\$ 22,220,667</u>	<u>\$ 23,961,720</u>	<u>\$ 18,062,870</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,574,788	\$ 846,834	\$ 1,180,577
Net investment income	297,375	296,861	345,663
Benefit payments	(940,706)	(846,834)	(838,883)
Administrative expense	(4,635)	(4,488)	(500)
Net change in plan fiduciary net position	926,822	292,373	686,857
Plan Fiduciary Net Position - Beginning	4,519,930	4,227,557	3,540,700
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,446,752</u>	<u>\$ 4,519,930</u>	<u>\$ 4,227,557</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 16,773,915</u>	<u>\$ 19,441,790</u>	<u>\$ 13,835,313</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.51%	18.86%	23.40%
Covered Employee Payroll	\$ 57,833,973	N/A <sup>1</sup>	N/A <sup>1</sup>
Net OPEB Liability as a Percentage of Covered Employee Payroll	29.00%	N/A <sup>1</sup>	N/A <sup>1</sup>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup> This information was not available.

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

Southwestern Community College District  
Schedule of the District's Contributions for OPEB  
Year Ended June 30, 2024

	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 1,692,120	N/A <sup>1</sup>	N/A <sup>1</sup>	\$ 2,211,317	\$ 2,415,840
Contribution in relation to the actuarially determined contribution	<u>1,602,491</u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>3,290,669</u>	<u>1,574,788</u>
Contribution deficiency (excess)	<u>\$ 89,629</u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>\$ (1,079,352)</u>	<u>\$ 841,052</u>
Covered payroll	<u>67,376,168</u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>\$ 59,568,992</u>	<u>\$ 57,833,973</u>
Contributions as a percentage of covered payroll	<u>2.38%</u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>5.52%</u>	<u>2.72%</u>

<sup>1</sup> The District did not receive an Actuarially Determined Contribution (ADC) calculation in the 2023 and 2022 fiscal years. Therefore, this information is not available.

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

Southwestern Community College District  
Schedule of OPEB Investment Returns  
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expense	<u>7.61%</u>	<u>(12.22%)</u>	<u>20.19%</u>	<u>10.07%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
		<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense		<u>20.45%</u>	<u>6.96%</u>	<u>19.40%</u>
Measurement Date		June 30, 2019	June 30, 2018	June 30, 2017

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

Southwestern Community College District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2024

Year ended June 30,	2024	2023	2022	2021
Proportion of the net OPEB liability	0.1327%	0.1099%	0.1216%	0.1368%
Proportionate share of the net OPEB liability	\$ 402,681	\$ 362,148	\$ 485,196	\$ 579,566
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,		2020	2019	2018
Proportion of the net OPEB liability		0.1374%	0.1341%	0.1335%
Proportionate share of the net OPEB liability		\$ 511,595	\$ 513,335	\$ 561,500
Covered payroll		N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll		N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability		(0.81%)	(0.40%)	0.01%
Measurement Date		June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup> 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.

Southwestern Community College District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2024

	2024	2023	2022	2021	2020
<b>CalSTRS</b>					
Proportion of the net pension liability	0.0897%	0.0733%	0.0809%	0.0785%	0.0777%
Proportionate share of the net pension liability	\$ 68,331,324	\$ 50,900,646	\$ 36,827,645	\$ 76,060,613	\$ 70,446,480
State's proportionate share of the net pension liability associated with the District	32,739,459	25,490,844	18,520,243	39,209,255	38,264,992
Total	\$ 101,070,783	\$ 76,391,490	\$ 55,347,888	\$ 115,269,868	\$ 108,711,472
Covered payroll	\$ 57,133,832	\$ 46,105,213	\$ 46,198,310	\$ 45,506,865	\$ 43,904,504
Proportionate share of the net pension liability as a percentage of its covered payroll	119.60%	110.40%	79.72%	167.14%	160.45%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
<b>CalPERS</b>					
Proportion of the net pension liability	0.2221%	0.2133%	0.2170%	0.1983%	0.2016%
Proportionate share of the net pension liability	\$ 80,411,721	\$ 73,381,156	\$ 44,117,988	\$ 60,840,954	\$ 58,764,137
Covered payroll	\$ 40,826,567	\$ 32,741,414	\$ 31,243,377	\$ 28,879,071	\$ 28,504,767
Proportionate share of the net pension liability as a percentage of its covered payroll	196.96%	224.12%	141.21%	210.67%	206.16%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019

Southwestern Community College District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2024

	2019	2018	2017	2016	2015
<b>CalSTRS</b>					
Proportion of the net pension liability	0.0750%	0.0740%	0.0779%	0.0800%	0.0800%
Proportionate share of the net pension liability	\$ 68,930,250	\$ 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	39,317,337	40,332,733	35,744,266	30,526,430	28,057,002
Total	\$ 108,247,587	\$ 108,767,193	\$ 98,726,874	\$ 84,385,630	\$ 74,806,602
Covered payroll	\$ 41,966,316	\$ 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	164.25%	172.26%	153.43%	135.14%	130.72%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>					
Proportion of the net pension liability	0.2000%	0.2100%	0.1985%	0.2090%	0.2090%
Proportionate share of the net pension liability	\$ 53,342,294	\$ 47,979,230	\$ 39,193,398	\$ 30,806,804	\$ 23,828,761
Covered payroll	\$ 26,109,642	\$ 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	204.30%	194.57%	158.59%	128.40%	107.12%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Southwestern Community College District  
Schedule of the District Contributions for Pensions  
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>CalSTRS</b>					
Contractually required contribution	\$ 10,744,856	\$ 10,912,562	\$ 7,801,002	\$ 7,461,027	\$ 7,766,966
Contributions in relation to the contractually required contribution	<u>(10,744,856)</u>	<u>(10,912,562)</u>	<u>(7,801,002)</u>	<u>(7,461,027)</u>	<u>(7,766,966)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 56,255,791</u>	<u>\$ 57,133,832</u>	<u>\$ 46,105,213</u>	<u>\$ 46,198,310</u>	<u>\$ 45,506,865</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>
<b>CalPERS</b>					
Contractually required contribution	\$ 10,532,587	\$ 10,357,700	\$ 7,501,058	\$ 6,467,379	\$ 5,650,990
Contributions in relation to the contractually required contribution	<u>(10,532,587)</u>	<u>(10,357,700)</u>	<u>(7,501,058)</u>	<u>(6,467,379)</u>	<u>(5,650,990)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 39,477,463</u>	<u>\$ 40,826,567</u>	<u>\$ 32,741,414</u>	<u>\$ 31,243,377</u>	<u>\$ 28,879,071</u>
Contributions as a percentage of covered payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>

Southwestern Community College District  
Schedule of the District Contributions for Pensions  
Year Ended June 30, 2024

	2019	2018	2017	2016	2015
<b>CalSTRS</b>					
Contractually required contribution	\$ 7,178,963	\$ 6,055,739	\$ 4,997,695	\$ 4,510,356	\$ 3,539,234
Contributions in relation to the contractually required contribution	<u>(7,178,963)</u>	<u>(6,055,739)</u>	<u>(4,997,695)</u>	<u>(4,510,356)</u>	<u>(3,539,234)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 43,904,504</u>	<u>\$ 41,966,316</u>	<u>\$ 39,727,305</u>	<u>\$ 41,049,196</u>	<u>\$ 39,853,588</u>
Contributions as a percentage of covered payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>					
Contractually required contribution	\$ 5,119,561	\$ 4,055,088	\$ 3,424,643	\$ 2,824,088	\$ 2,824,261
Contributions in relation to the contractually required contribution	<u>(5,119,561)</u>	<u>(4,055,088)</u>	<u>(3,424,643)</u>	<u>(2,824,088)</u>	<u>(2,824,261)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 28,504,767</u>	<u>\$ 26,109,642</u>	<u>\$ 24,659,008</u>	<u>\$ 24,713,187</u>	<u>\$ 23,993,385</u>
Contributions as a percentage of covered payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

**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* - For Faculty members, effective July 1, 2022, the District pays 50% of the cost of retiree only coverage for life, and not less than \$2,000 per year and for management, effective July 1, 2022 employees hired on or after January 1, 2004: the District pays a maximum \$1,250 per year.
- *Changes in Assumptions* – The discount rate from 5.30% to 4.46% and a change in the healthcare cost trend rate from 6.50% to 8.00% since the previous valuation.

**Schedule of the District's 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 3.54% to 3.65% 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.

- *Changes in Benefit Terms* – There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuation.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuation.

**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.



Supplementary Information  
June 30, 2024

## 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, 2024**

Member	Office	Term Expires
Don Dumas	President	2026
Kristine Galicia Brown	Vice President	2024
Roberto Alcantar	Member	2024
Robert Moreno	Member	2026
Corina Soto	Member	2026

**Administration as of June 30, 2024**

Mark Sanchez, Ed.D.	Superintendent/President
Silvia Cornejo	Interim Assistant Superintendent/Vice President, Academic Affairs
Danny Villanueva	Interim Assistant Superintendent/Vice President, Business and Financial Affairs
Rachel Fischer, M. Ed.	Assistant Superintendent/Vice President, Student Affairs
Angela Alvarez Riggs, MAHRM	Assistant Superintendent/Vice President, Human Resources
Vacant	Chief Information Services Officer

**Auxiliary Organizations in Good Standing**

Southwestern College Foundation, established 1982  
 Master Agreement revised/established August 9, 2016  
 Sofia Salgado Robitaille, Executive Director, Advancement & Community Engagement

Southwestern Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	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		\$ 34,911,570	\$ -
Federal Pell Grant Program Administrative Allowance	84.063		52,472	-
Federal Direct Student Loans	84.268		7,089,099	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		635,670	-
Federal Work-Study Program	84.033		457,367	-
Federal Work-Study Program Administrative Allowance	84.033		25,000	-
Subtotal Student Financial Assistance Cluster			43,171,178	-
Child Care Access Means Parents in School (CCAMPIS)	84.335A		251,457	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	23-C01-090	924,974	-
Passed through State of California Department of Rehabilitation				
State Vocational Rehabilitation Program	84.126A	32005	207,159	-
Title V: Hispanic-Serving Institutions	84.031S		722,965	-
Passed through San Diego State University Research Foundation				
Developing Effective Bilingual Educators with Resources	84.031S	SA0000701	48,915	-
Subtotal			771,880	-
Total U.S. Department of Education			45,326,648	-
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]	1,309,868	-
Passed through California Office of the Small Business Advocate, Governor's Office of Business and Economic Development				
COVID-19: SSBCI Technical Assistance Program	21.034	SSBCITA2024-CRC06	554,447	-
Total U.S. Department of the Treasury			1,864,315	-
U.S. Department of Veterans Affairs				
Post-9/11 Veterans Educational Assistance	64.027		1,016	-
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]	86,168	-

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

# Southwestern Community College District

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Defense Procurement Technical Assistance (DLA)	12.002		\$ 773,944	\$ -
Research and Development Cluster				
National Science Foundation				
Mentored Pathways from Community College to Graduate School and Chemistry Careers	47.076		172,145	-
Math Persistence Inquiry and Equity	47.076		162,724	-
Drone Technology	47.076		186,670	-
SWC Empower Scholarship	47.076		104,025	-
Passed through Arizona State University NSF INCLUDES Alliance: ALRISE	47.076	ASUB00000917	128,349	-
Passed through the Pennsylvania State University Microelectronics & Nanomanufacturing for Veterans Consortium	47.076	S003223-NSF	58,956	-
				-
Subtotal Research and Development Cluster			812,869	
U.S. Department of Housing and Urban Development Passed through City of San Diego Community Development Block Grant	14.218	CED-FY24-006-01	306,905	-
U.S. Department of Agriculture SNAP Cluster				
Passed through Foundation for California Community Colleges Fresh Success	10.561	00008073	57,104	-
Subtotal SNAP Cluster			57,104	-
Small Business Administration Small Business Administration Women's Business Center	59.037 59.043		1,469,719 151,803	860,969 -
Total Small Business Administration			1,621,522	860,969
U.S. Department of Commerce Build to Scale Program Connecting Minority Communities Pilot Program	11.024 11.028		292,719 723,104	- -
Total U.S. Department of Commerce			1,015,823	-
Total Federal Financial Assistance			\$ 51,866,314	\$ 860,969

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

# Southwestern Community College District

## Schedule of Expenditures of State Awards

Year Ended June 30, 2024

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
Instructional Equipment and Library	\$ 2,799,637	\$ -	\$ 910,563	\$ 1,889,074	\$ 1,263,512
Asian American, Native Hawaiian and Pacific Island	129,600	-	129,600	-	-
Student Food and Housing Support	882,445	-	757,765	124,680	124,680
Basic Needs Centers	760,467	-	172,195	588,272	588,272
California College Promise	2,594,535	-	1,696,391	898,144	898,144
CalWORKs	613,372	-	-	613,372	613,372
CARE	826,990	-	190,420	636,570	636,570
CCC Equitable Placement & Completion Grant Program	800,911	-	472,953	327,958	327,958
College Rapid Rehousing Funds	1,743,329	-	1,737,057	6,272	6,272
EOPS	4,050,403	-	793,137	3,257,266	3,257,266
Disabled Student Program & Services	2,666,104	-	752,738	1,913,366	1,913,366
Equal Employment Opportunity	244,578	-	100,333	144,245	144,245
Financial Aid Technology	161,907	-	24,073	137,834	137,834
LGBTQ+	207,441	-	143,011	64,430	64,430
Local and Systemwide Technology and Data Security	680,849	-	528,924	151,925	151,925
Mental Health Program	829,089	-	656,392	172,697	172,697
Native American Student Support & Success Program	1,500,000	-	1,444,334	55,666	55,666
NextUp	1,815,247	-	740,459	1,074,788	1,074,788
Nursing Education	183,493	-	-	183,493	183,493
Physical Plant & INST'L Support	934,768	-	882,735	52,033	52,033
Retention & Enrollment Outreach	2,331,850	-	1,438,011	893,839	893,839
SFAA	893,327	-	285,838	607,489	607,489
Strong Workforce Program	4,550,322	-	2,244,652	2,305,670	2,305,670
Student Equity and Achievement Program	7,479,915	-	1,207,615	6,272,300	6,272,300
Student Success Completion Grant	12,785,987	-	2,703,458	10,082,529	10,082,529
Student Transfer Achievement Reform	565,217	-	565,217	-	-
Transfer Ed and Articulation-Seamless Transfer	48,695	-	35,471	13,224	13,224
Undocumented Resources Liaisons	53,017	64,420	-	117,437	117,437
Veteran Resource Center	969,933	-	673,615	296,318	296,318
Zero Textbook Cost Program	661,761	-	576,868	84,893	84,893
GoBiz	1,558,095	-	-	1,558,095	1,558,095
Technical Assistance Expansion Program	1,480,728	185,756	-	1,666,484	1,666,484

# Southwestern Community College District

## Schedule of Expenditures of State Awards

Year Ended June 30, 2024

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
Boating Waterways Grant	\$ 22,205	\$ -	\$ 6,537	\$ 15,668	\$ 15,668
CAEP/AEBG : Economic Development	553,325	-	66,224	487,101	487,101
Hewlett Foundation	4,688	-	4,688	-	-
Physical Plant and Instruction	29,926	-	26,906	3,020	3,020
MESA	764,555	-	336,771	427,784	427,784
Education Futures Grant	3,390	-	3,390	-	-
CCCCO-CAL LAW	-	57,879	-	57,879	57,879
I See My Future Project	1,053	-	-	1,053	1,053
Priority & Emerging Sector Str	144,145	12,443	-	156,588	156,588
Social Work	8,466	-	-	8,466	8,466
Counselor Institute Round 7 : Student Counseling Guidance	59,946	-	16,172	43,774	43,774
RERP : Social Work & Human Resources	-	23,767	-	23,767	23,767
Credit for Prior Learning	15,809	16,554	-	32,363	32,363
College-Based Marketing 2021	89,395	-	-	89,395	89,395
Transfer Articulation	1,911	-	1,911	-	-
Library	15,787	-	15,787	-	-
Library Automation	3,409	-	3,409	-	-
College Based Marketing	-	14,250	-	14,250	14,250
Career Navigation Rd. 7	21,660	-	8,879	12,781	12,781
Rising Scholars Network- RJ	340,052	4,023	201,685	142,390	142,390
SBDC - Sierra Health	617,034	-	295,193	321,841	321,841
CITC Grant G0227	413,580	-	286,430	127,150	127,150
CCSWG	39,827	10,173	-	50,000	50,000
CalOSBA - WBCEP	1,033,851	489,782	-	1,523,633	1,523,633
Employee Equity & Inclusion	45,126	-	20,841	24,285	24,285
Classified Professional Development	21,946	-	3,953	17,993	17,993
ARPA-Student Aid Instl	20,900	-	-	20,900	20,900
COVID-19 Recovery Block Grant	6,769,302	-	5,298,823	1,470,479	1,470,479
Planning Grants: Student Housing	385,695	-	358,195	27,500	27,500
PRT Grant	152,331	-	58,610	93,721	93,721

# Southwestern Community College District

## Schedule of Expenditures of State Awards

Year Ended June 30, 2024

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
K-14 Dual Enrollment	\$ -	\$ 18,087	\$ -	\$ 18,087	\$ 18,087
College & Career Access Pathways	46,007	-	7,597	38,410	38,410
Puente - UC Regents FY23.24	45,000	-	6,890	38,110	38,110
Umoja Comm Ed Foundation Grant	276,710	-	239,697	37,013	37,013
AANHPI	150,697	-	111,774	38,923	38,923
Cal Grant	6,111,991	76,387	-	6,188,378	6,188,378
Learning-Aligned Employment Program (LAEP)	4,980,634	(4,809,920)	-	170,714	170,714
Chafee Grant	92,456	-	4,488	87,968	87,968
CA Disaster Relief Emerg Gt	209,876	-	209,876	-	-
Guided Pathways Project	692,764	565,796	545,911	712,649	712,649
CBE Collaborative	92,927	132,588	-	225,515	225,515
Total state programs	<u>\$ 82,082,388</u>	<u>\$ (3,138,015)</u>	<u>\$ 30,004,462</u>	<u>\$ 48,939,911</u>	<u>\$ 48,314,349</u>

Southwestern Community College District  
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance  
Year Ended June 30, 2024

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2023 only)</b>			
1. Noncredit*	23.18	-	23.18
2. Credit	1,608.95	-	1,608.95
<b>B. Summer Intersession (Summer 2024 - Prior to July 1, 2024)</b>			
1. Noncredit*	-	-	-
2. Credit	-	-	-
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,638.19	-	6,638.19
(b) Daily Census Contact Hours	784.24	-	784.24
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	203.56	-	203.56
(b) Credit	641.03	-	641.03
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	3,219.30	-	3,219.30
(b) Daily Census Procedure Courses	2,531.53	-	2,531.53
(c) Noncredit Independent Study/Distance Education Courses	8.38	-	8.38
<b>D. Total FTES</b>	<u>15,658.36</u>	<u>-</u>	<u>15,658.36</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>F. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit*	-	-	-
2. Credit	218.34	-	218.34
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	67.15	-	67.15
<b>Centers FTES</b>			
1. Noncredit*	48.56	-	48.56
2. Credit	3,736.69	-	3,736.69

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

Southwestern Community College District  
Reconciliation of *Education Code* Section 84362 (50% Law) Calculation  
Year Ended June 30, 2024

		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
<u>Academic Salaries</u>								
Instructional Salaries								
Contract or Regular		1100	\$ 23,248,958	\$ -	\$ 23,248,958	\$ 23,248,958	\$ -	\$ 23,248,958
Other		1300	22,748,509	-	22,748,509	22,775,798	-	22,775,798
Total Instructional Salaries			45,997,467	-	45,997,467	46,024,756	-	46,024,756
Noninstructional Salaries								
Contract or Regular		1200	-	-	-	11,008,197	-	11,008,197
Other		1400	-	-	-	1,735,029	-	1,735,029
Total Noninstructional Salaries			-	-	-	12,743,226	-	12,743,226
Total Academic Salaries			45,997,467	-	45,997,467	58,767,982	-	58,767,982
<u>Classified Salaries</u>								
Noninstructional Salaries								
Regular Status		2100	-	-	-	21,654,791	-	21,654,791
Other		2300	-	-	-	1,503,824	-	1,503,824
Total Noninstructional Salaries			-	-	-	23,158,615	-	23,158,615
Instructional Aides								
Regular Status		2200	2,774,897	-	2,774,897	2,826,023	-	2,826,023
Other		2400	459,799	-	459,799	1,018,445	-	1,018,445
Total Instructional Aides			3,234,696	-	3,234,696	3,844,468	-	3,844,468
Total Classified Salaries			3,234,696	-	3,234,696	27,003,083	-	27,003,083
Employee Benefits		3000	18,500,739	-	18,500,739	36,183,294	-	36,183,294
Supplies and Material		4000	-	-	-	1,578,733	-	1,578,733
Other Operating Expenses		5000	946,742	-	946,742	11,583,112	-	11,583,112
Equipment Replacement		6420	-	-	-	372,565	-	372,565
Total Expenditures Prior to Exclusions			68,679,644	-	68,679,644	135,488,769	-	135,488,769

Southwestern Community College District  
Reconciliation of *Education Code* Section 84362 (50% Law) Calculation  
Year Ended June 30, 2024

		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
<u>Exclusions</u>								
Activities to Exclude								
Instructional Staff - Retirees' Benefits and Retirement Incentives		5900	\$ 1,234,785	\$ -	\$ 1,234,785	\$ 1,234,785	\$ -	\$ 1,234,785
Student Health Services Above Amount Collected		6441	-	-	-	-	-	-
Student Transportation		6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives		6740	-	-	-	745,493	-	745,493
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	-	-	-	150,499	-	150,499
Noninstructional Supplies and Materials		4400	-	-	-	-	-	-
Total Supplies and Materials			-	-	-	150,499	-	150,499

Southwestern Community College District  
Reconciliation of *Education Code* Section 84362 (50% Law) Calculation  
Year Ended June 30, 2024

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		1,234,785	-	1,234,785	2,130,777	-	2,130,777
Total for ECS 84362, 50% Law		\$ 67,444,859	\$ -	\$ 67,444,859	\$ 133,357,992	\$ -	\$ 133,357,992
% of CEE (Instructional Salary Cost/Total CEE)		50.57%		50.57%	100.00%		100.00%
50% of Current Expense of Education					\$ 66,678,996		\$ 66,678,996

Southwestern Community College District  
Proposition 30 Education Protection Account (EPA) Expenditure Report  
Year Ended June 30, 2024

Activity Classification	Object Code	Unrestricted			
EPA Revenues:	8630				
					\$ 12,982,128
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 12,982,128	\$ -	\$ -	\$ 12,982,128
Total Expenditures for EPA		\$ 12,982,128	\$ -	\$ -	\$ 12,982,128
Revenues Less Expenditures					\$ -

Southwestern Community College District  
Reconciliation of Governmental Funds to the Statement of Net Position  
Year Ended June 30, 2024

---

Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance and retained earnings		
General Funds	\$ 27,400,683	
Special Revenue Funds	2,757,568	
Capital Project Funds	172,620,830	
Debt Service Funds	40,958,506	
Proprietary Funds	1,724,185	
Internal Service Funds	17,370	
Fiduciary Funds	<u>9,959,743</u>	
Total fund balance and retained earnings - all District funds		\$ 255,438,885
Amounts held in trust on behalf of others (Retiree OPEB Trust)		(9,959,743)
The District's investment in the San Diego County treasury investment pool is reported at fair value in the Statement of Net Position.		(617,433)
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	809,603,559	
Accumulated depreciation is	<u>(176,942,237)</u>	
Total capital assets, net		632,661,322
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	24,878,542	
Deferred outflows of resources related to OPEB	12,742,020	
Deferred outflows of resources related to pensions	<u>58,305,781</u>	
Total deferred outflows of resources		95,926,343
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.		(10,053,312)

Southwestern Community College District  
Reconciliation of Governmental Funds to the Statement of Net Position  
Year Ended June 30, 2024

---

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	\$ (793,480,411)
Compensated absences	(3,659,354)
Load banking	(1,954,137)
Supplemental employee retirement plan	(3,878,126)
Aggregate net other postemployment benefits (OPEB) liability	(18,072,594)
Aggregate net pension liability	(148,743,045)

In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	<u>(37,897,036)</u>
--	---------------------

Total long-term liabilities	\$ (1,007,684,703)
-----------------------------	--------------------

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	(165,790)
Deferred inflows of resources related to OPEB	(8,501,643)
Deferred inflows of resources related to pensions	<u>(10,051,266)</u>

Total deferred inflows of resources	<u>(18,718,699)</u>
-------------------------------------	---------------------

Total net position (deficit)	<u><u>\$ (63,007,340)</u></u>
------------------------------	-------------------------------

## **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 as of June 30, 2024.

### **Schedule of Expenditures of Federal Awards (SEFA)**

#### 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, 2024. 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 revenues and summarizes the expenditures of EPA revenues.

**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, 2024

# Southwestern Community College District



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

To the 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 (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of Southwestern Community College District (the District) as of and for the year ended June 30, 2024, 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 12, 2024.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **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*.

## **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.

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

Rancho Cucamonga, California  
December 12, 2024



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

To the 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, 2024. 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, Southwestern Community College 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, 2024.

***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.



Rancho Cucamonga, California  
December 12, 2024



## Independent Auditor's Report on State Compliance

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

### Report on State Compliance

#### *Opinion on State Compliance*

We have audited Southwestern Community College District's (the District) compliance with the types of compliance requirements described in the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations identified below for the year ended June 30, 2024.

In our opinion, Southwestern Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations identified below that were audited for the year ended June 30, 2024.

#### *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 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards 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 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 opinion. 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 identified 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 2023-2024 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 2023-2024 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, we express no such opinion.

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 that we identify 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 494	State Fiscal Recovery Fund
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 State Fiscal Recovery Fund was included as a major federal program, as described in the summary of auditor's results; therefore, the compliance requirements within this section were not performed.

The final expenditure report for the COVID-19 Response Block Grant was submitted in the prior fiscal year; therefore, the compliance requirements within this section were not performed.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

The signature is written in a cursive, handwritten style. It appears to read "Eide Bailly LLP".

Rancho Cucamonga, California  
December 12, 2024



Schedule of Findings and Questioned Costs  
June 30, 2024

# Southwestern Community College District

# Southwestern Community College District

Summary of Auditor's Results

Year Ended June 30, 2024

---

## **Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
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:**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027
Small Business Administration	59.037
Dollar threshold used to distinguish between type A and type B programs:	\$1,555,989
Auditee qualified as low-risk auditee?	No

## **State Compliance**

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

None reported.

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**

None reported.

**Federal Award Findings**

**2023-001      Reporting**

**Program Name:** Small Business Administration (SBA)  
**Federal Financial Assistance Listing Number:** 59.037  
**Federal Agency:** Small Business Administration  
Direct funded from the Small Business Administration

**Criteria or Specific Requirements**

The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients of certain federal awards to report subaward information by the end of the month following the month in which the prime awardee obligates a subgrant award equal to \$30,000.

**Condition**

Material weakness in Internal Control over Compliance – required subaward information was not reported in the FFATA Subaward Reporting System (FSRS).

**Questioned Costs**

There are no questioned costs associated with this finding.

**Context/Sampling**

All subaward obligations were selected for testing. The quantity and subaward obligation errors were noted as follows:

	Subawards	Obligations
Total Tested	13	\$1,350,000
Not Reported	13	\$1,350,000
Not Timely	13	\$1,350,000
Obligation Incorrect	13	\$1,350,000
Missing Key Elements	13	\$1,350,000

**Effect**

Subaward obligations were not reported in the FSRS and therefore not included on the FFATA’s website for public information disclosure.

**Cause**

The District did not have adequate internal controls to ensure subaward information was submitted in accordance with the FFATA.

**Repeat Finding (Yes or No)**

No.

**Recommendation**

The District should implement internal controls to ensure subaward information is submitted in accordance with the FFATA requirements.

**Current Status**

Implemented.

**State Compliance Findings**

None reported.