

Financial Statements
June 30, 2025

**Southwestern Community College
District**

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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, 2025, 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, 2025, 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.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

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 18, 2025 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 18, 2025

INTRODUCTION

The following provides an overview of Southwestern Community College District (the District) financial position and activities for the year ended June 30, 2025. 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 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 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 16,154.16 for FY 2024-2025.
- The District's total combined net position was \$(71,145,294) at June 30, 2025. This is a change from the total combined net position as of June 30, 2024, which reflected \$(63,007,340).
- A cost-of-living adjustment (COLA) of 1.07% to SCFF apportionment was included in the FY 2024-2025 Budget Act.
- At June 30, 2025, the fair market value of the District's Other Postemployment Benefits (OPEB) trust was \$10 million, and the District's GASB Statement No. 75 Net OPEB liability of \$18.6 million is 35% 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, 2025 and 2024 are summarized below:

	<u>2025</u>	<u>2024*</u>	<u>Change</u>
Assets			
Cash and investments	\$ 195,293,833	\$ 296,744,060	\$ (101,450,227)
Receivables	31,362,403	32,310,332	(947,929)
Other current assets	461,240	593,307	(132,067)
Capital assets, net	<u>685,908,001</u>	<u>632,661,322</u>	<u>53,246,679</u>
Total assets	<u>913,025,477</u>	<u>962,309,021</u>	<u>(49,283,544)</u>
Deferred outflows of resources	<u>87,604,079</u>	<u>95,926,343</u>	<u>(8,322,264)</u>
Liabilities			
Accounts payable and accrued liabilities	57,811,400	94,839,302	(37,027,902)
Current portion of long-term liabilities	23,625,784	23,786,898	(161,114)
Noncurrent portion of long-term liabilities	<u>961,012,753</u>	<u>983,897,805</u>	<u>(22,885,052)</u>
Total liabilities	<u>1,042,449,937</u>	<u>1,102,524,005</u>	<u>(60,074,068)</u>
Deferred inflows of resources	<u>29,324,913</u>	<u>18,718,699</u>	<u>10,606,214</u>
Net Position (Deficit)			
Net investment in capital assets	36,719,439	29,174,688	7,544,751
Restricted	37,188,558	40,052,657	(2,864,099)
Unrestricted deficit	<u>(145,053,291)</u>	<u>(132,234,685)</u>	<u>(12,818,606)</u>
Total net position deficit	<u>\$ (71,145,294)</u>	<u>\$ (63,007,340)</u>	<u>\$ (8,137,954)</u>

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

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, 2025 and 2024, are summarized and presented below:

	<u>2025</u>	<u>2024*</u>	<u>Change</u>
Operating Revenues			
Tuition and fees, net	\$ 10,465,555	\$ 9,765,762	\$ 699,793
Grants and contracts, noncapital	59,943,374	47,578,612	12,364,762
Auxiliary sales and charges	5,796,541	4,696,536	1,100,005
Total operating revenues	<u>76,205,470</u>	<u>62,040,910</u>	<u>14,164,560</u>
Operating Expenses			
Salaries and employee benefits	170,207,843	159,522,951	10,684,892
Supplies, materials, and other operating	38,966,608	38,409,736	556,872
Student financial aid	81,659,044	66,369,346	15,289,698
Depreciation	23,513,455	23,694,392	(180,937)
Total operating expenses	<u>314,346,950</u>	<u>287,996,425</u>	<u>26,350,525</u>
Operating loss	<u>(238,141,480)</u>	<u>(225,955,515)</u>	<u>(12,185,965)</u>
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	93,824,700	87,903,132	5,921,568
Property taxes	82,411,199	79,585,349	2,825,850
Student financial aid grants	72,062,510	60,496,697	11,565,813
State revenues	5,386,881	6,403,568	(1,016,687)
Net interest expense	(13,393,200)	(7,518,871)	(5,874,329)
Other nonoperating revenues	6,155,498	8,204,022	(2,048,524)
Total nonoperating revenues (expenses)	<u>246,447,588</u>	<u>235,073,897</u>	<u>11,373,691</u>
Change in net position (deficit)	<u>\$ 8,425,581</u>	<u>\$ 9,118,382</u>	<u>\$ (692,801)</u>

* Expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

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, 2025:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 77,382,338	\$ 3,012,580	\$ -	\$ -	\$ 80,394,918
Academic support	27,089,467	1,623,324	-	-	28,712,791
Student services	24,621,708	2,196,483	-	-	26,818,191
Plant operations and maintenance	5,495,822	4,149,566	-	-	9,645,388
Instructional support services	24,594,251	6,319,931	-	-	30,914,182
Community services and economic development	4,801,648	7,851,926	-	-	12,653,574
Ancillary services and auxiliary operations	6,008,358	3,406,255	-	-	9,414,613
Physical property and related acquisitions	47,820	10,356,439	-	-	10,404,259
Student aid	166,431	50,104	81,659,044	-	81,875,579
Unallocated depreciation	-	-	-	23,513,455	23,513,455
Total	<u>\$ 170,207,843</u>	<u>\$ 38,966,608</u>	<u>\$ 81,659,044</u>	<u>\$ 23,513,455</u>	<u>\$ 314,346,950</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, 2025 and 2024, are summarized and presented below:

	<u>2025</u>	<u>2024*</u>	<u>Change</u>
Net Cash Flows from			
Operating activities	\$ (225,283,628)	\$ (214,484,265)	\$ (10,799,363)
Noncapital financing activities	215,705,546	205,951,695	9,753,851
Capital financing activities	(103,827,704)	(105,385,627)	1,557,923
Investing activities	<u>11,955,559</u>	<u>17,117,152</u>	<u>(5,161,593)</u>
Change in Cash and Cash Equivalents	(101,450,227)	(96,801,045)	(4,649,182)
Cash and Cash Equivalents, Beginning of Year	<u>296,744,060</u>	<u>393,545,105</u>	<u>(96,801,045)</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 195,293,833</u></u>	<u><u>\$ 296,744,060</u></u>	<u><u>\$ (101,450,227)</u></u>

* Cash flows from operating activities for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

As of June 30, 2025, the District had \$685.9 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 \$200.5 million. Depreciation expense of \$23.5 million was recorded for the fiscal year. Note 6 to the financial statements provides additional information on capital assets.

	<u>Balance, July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2025</u>
Capital Assets				
Land and construction in progress	\$ 200,533,889	\$ 75,487,099	\$ (2,200,097)	\$ 273,820,891
Buildings and improvements	592,336,726	2,200,097	-	594,536,823
Furniture, equipment and vehicles	<u>16,732,944</u>	<u>1,273,035</u>	<u>-</u>	<u>18,005,979</u>
Subtotal capital assets	809,603,559	78,960,231	(2,200,097)	886,363,693
Accumulated depreciation	<u>(176,942,237)</u>	<u>(23,513,455)</u>	<u>-</u>	<u>(200,455,692)</u>
Total capital assets, net	<u><u>\$ 632,661,322</u></u>	<u><u>\$ 55,446,776</u></u>	<u><u>\$ (2,200,097)</u></u>	<u><u>\$ 685,908,001</u></u>

Long-Term Liabilities

At June 30, 2025, the District had \$842.5 million in outstanding long-term liabilities compared to \$840.9 million at June 30, 2024. We present more detailed information regarding our long-term liabilities in Note 7 to the financial statements.

	Balance, July 1, 2024*	Additions	Deductions	Balance, June 30, 2025
General obligation bonds	\$ 831,377,447	\$ 3,711,312	\$ (25,433,861)	\$ 809,654,898
Other liabilities	9,491,617	25,311,179	(2,007,920)	32,794,876
Total long-term liabilities	\$ 840,869,064	\$ 29,022,491	\$ (27,441,781)	\$ 842,449,774
Amount due within one year				\$ 23,625,784

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

OPEB and Pension Liabilities

At June 30, 2025, the District has an aggregate other postemployment benefit liability (OPEB) of \$18,897,816 compared to \$18,072,594 at June 30, 2024, a net increase of \$825,222 or 4.6%.

At June 30, 2025, the District has an aggregate net pension liability of \$123,290,947 compared to \$148,743,045 at June 30, 2024, a net decrease of \$25,452,098 or 17.1%.

STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK

The FY2024-25 Budget Act increases Proposition 98 funding for community colleges over FY2023-24 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 2025-26 is \$163.11 million, compared to FY 2024-25 budgeted revenues of \$146.96 million, an 11% increase.

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

Basic Allocation	\$15.53
Full-Time Equivalent Students	\$88.51
Supplemental Allocation	\$28.78
Student Success	\$13.12
Total	\$145.94

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

California State general allocation	\$ 68.27
Educational Protection Account	\$ 27.39
Property taxes	\$ 43.92
Enrollment fees	\$ 6.36
Total	<u>\$145.94</u>

The District projects other unrestricted general fund revenue of \$17.17 million including locally generated revenue, lottery proceeds and non-resident tuition.

The District's FY 2025-2026 General Fund unrestricted budgeted expenses of \$166.73 million compared to FY 2024-2025 budgeted expenses of \$145.14 million, representing a 14.9% increase.

The total District-wide expense budget for all funds in FY 2025-2026 is \$443.13 million.

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

- Committed for Economic Uncertainty: \$26.67 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, 2025

Assets	
Cash and cash equivalents	\$ 8,803,262
Investments	186,490,571
Accounts receivable	21,346,832
Student receivables	10,015,571
Inventories	461,240
Capital assets not being depreciated	273,820,891
Capital assets, net of accumulated depreciation	<u>412,087,110</u>
Total assets	<u>913,025,477</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	23,628,947
Deferred outflows of resources related to OPEB	11,532,417
Deferred outflows of resources related to pensions	<u>52,442,715</u>
Total deferred outflows of resources	<u>87,604,079</u>
Liabilities	
Accounts payable	15,313,439
Accrued interest payable	9,774,521
Unearned revenue	32,723,440
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	23,625,784
Long-term liabilities other than OPEB and pensions, due in more than one year	818,823,990
Aggregate net other postemployment benefits (OPEB) liability	18,897,816
Aggregate net pension liability	<u>123,290,947</u>
Total liabilities	<u>1,042,449,937</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	7,105,133
Deferred inflows of resources related to pensions	<u>22,219,780</u>
Total deferred inflows of resources	<u>29,324,913</u>
Net Position (Deficit)	
Net investment in capital assets	36,719,439
Restricted for	
Debt service	26,110,201
Capital projects	9,112,604
Educational programs	592,568
Other activities	1,373,185
Unrestricted deficit	<u>(145,053,291)</u>
Total net position (deficit)	<u>\$ (71,145,294)</u>

Southwestern Community College District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

Operating Revenues	
Tuition and fees	\$ 24,334,233
Less: Scholarship discounts and allowances	<u>(13,868,678)</u>
Net tuition and fees	<u>10,465,555</u>
Grants and contracts, noncapital	
Federal	9,367,177
State	49,347,316
Local	<u>1,228,881</u>
Total grants and contracts, noncapital	<u>59,943,374</u>
Auxiliary enterprise sales and charges	
Bookstore	2,709,762
Food service	2,184,201
Other enterprise	<u>902,578</u>
Total auxiliary enterprise sales and charges	<u>5,796,541</u>
Total operating revenues	<u>76,205,470</u>
Operating Expenses	
Salaries	129,127,304
Employee benefits	41,080,539
Supplies, materials, and other operating expenses and services	38,966,608
Student financial aid	81,659,044
Depreciation	<u>23,513,455</u>
Total operating expenses	<u>314,346,950</u>
Operating Loss	<u>(238,141,480)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	93,824,700
Local property taxes, levied for general purposes	42,441,733
Taxes levied for other specific purposes	39,969,466
Federal and State financial aid grants	72,062,510
State taxes and other revenues	5,386,881
Investment income, net	10,298,162
Interest expense on capital related debt	(25,215,414)
Investment income on capital asset-related debt, net	1,524,052
Other nonoperating revenues	<u>6,155,498</u>
Total nonoperating revenues (expenses)	<u>246,447,588</u>
Income Before Other Revenues	<u>8,306,108</u>
Other Revenues	
Local revenues, capital	<u>119,473</u>
Change In Net Position (Deficit)	8,425,581
Net Position (Deficit), Beginning of Year, as previously reported	(63,007,340)
Adjustment (Note 14)	(16,563,535)
Net Position (Deficit), Beginning of Year, as restated	<u>(79,570,875)</u>
Net Position (Deficit), End of Year	<u>\$ (71,145,294)</u>

Southwestern Community College District
Statement of Cash Flows
Year Ended June 30, 2025

Operating Activities	
Tuition and fees	\$ 7,721,424
Federal, state, and local grants and contracts, noncapital	51,331,756
Auxiliary enterprise sales and charges	5,796,541
Payments to or on behalf of employees	(172,452,178)
Payments to vendors for supplies and services	(36,022,127)
Payments to students for scholarships and grants	(81,659,044)
Net cash flows from operating activities	<u>(225,283,628)</u>
Noncapital Financing Activities	
State apportionments	88,878,724
Federal and state financial aid grants	70,766,071
Property taxes - nondebt related	42,441,733
State taxes and other apportionments	5,583,665
Other nonoperating	8,035,353
Net cash flows from noncapital financing activities	<u>215,705,546</u>
Capital Financing Activities	
Purchase of capital assets	(98,690,313)
Local revenue, capital	119,473
Property taxes - related to capital debt	39,969,466
Principal paid on capital debt	(22,335,000)
Interest paid on capital debt	(23,797,949)
Interest received on capital asset-related debt	906,619
Net cash flows from capital financing activities	<u>(103,827,704)</u>
Investing Activities	
Change in fair value of cash in county treasury	4,264,611
Interest received from investments	7,690,948
Net cash flows from investing activities	<u>11,955,559</u>
Change In Cash and Cash Equivalents	(101,450,227)
Cash and Cash Equivalents, Beginning of Year	<u>296,744,060</u>
Cash and Cash Equivalents, End of Year	<u>\$ 195,293,833</u>

Southwestern Community College District

Statement of Cash Flows
Year Ended June 30, 2025

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	<u>\$ (238,141,480)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	23,513,455
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(1,942,553)
Student receivables	(2,125,767)
Inventories	57,617
Prepaid expenses	74,450
Deferred outflows of resources related to OPEB	1,209,603
Deferred outflows of resources related to pensions	5,863,066
Accounts payable	610,558
Unearned revenue	(7,287,429)
Compensated absences	8,747,644
Supplemental employee retirement plan	(2,007,920)
Aggregate net OPEB liability	825,222
Aggregate net pension liability	(25,452,098)
Deferred inflows of resources related to OPEB	(1,396,510)
Deferred inflows of resources related to pensions	<u>12,168,514</u>
Total adjustments	<u>12,857,852</u>
Net cash flows from operating activities	<u><u>\$ (225,283,628)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	\$ 8,803,262
Cash in county treasury	<u>186,490,571</u>
Total cash and cash equivalents	<u><u>\$ 195,293,833</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	\$ 165,790
Amortization of debt premiums	\$ 3,098,861
Accretion of interest on capital appreciation bonds	\$ 3,711,312

Southwestern Community College District
Fiduciary Fund - Statement of Net Position
June 30, 2025

	<u>Retiree OPEB Trust</u>
Assets	
Investments	<u>\$ 11,016,771</u>
Net Position	
Restricted for postemployment benefits other than pensions	<u>\$ 11,016,771</u>

Southwestern Community College District
 Fiduciary Fund - Statement of Changes in Net Position
 Year Ended June 30, 2025

	Retiree OPEB Trust
Additions	
District contributions	\$ 1,604,435
Interest and investment income	329,958
Net realized and unrealized gain	735,903
Total additions	2,670,296
Deductions	
Benefit payments	1,604,435
Administrative expenses	8,833
Total deductions	1,613,268
Change in Net Position	1,057,028
Net Position - Beginning of Year	9,959,743
Net Position - End of Year	\$ 11,016,771

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 GASB. The District identified that Southwestern College Foundation (the Foundation) does not meet the criteria as a component unit under GASB Statement No. 14, 39, and 61; therefore, the Foundations' assets, liabilities, and disbursements are not included in the District's financial statements.

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 an obligation 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 other 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.

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 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, 2025.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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 expenses. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements 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, compensated absences, and supplemental early retirement plan with maturities greater than one year.

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.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the Statement of Net Position. Compensated absences include vacation leave, load banking leave, and sick leave. The District offers load banking leave to eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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 not paid for any sick leave balance at termination of employment or at any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Retirement credit for unused sick leave is applicable to all classified school 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. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

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.

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.

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, 2025. 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 financial statements report \$37,188,558 of restricted net position, and the fiduciary fund financial statements report \$11,016,771 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, 2016, and 2024 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. 101**

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 14.

Implementation of GASB Statement No. 102

As of June 30, 2025, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the District's financial statements as a result of the implementation of this 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, 2025, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	\$ 8,768,324	\$ -
Cash in revolving	34,938	-
Investments	<u>186,490,571</u>	<u>11,016,771</u>
 Total deposits and investments	 <u>\$ 195,293,833</u>	 <u>\$ 11,016,771</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	\$ 11,016,771	No maturity	Not rated
San Diego County Treasury Investment Pool	<u>186,490,571</u>	562	AA+
Total	<u><u>\$ 197,507,342</u></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, 2025. The San Diego County Treasury Investment Pool was rated AA+ by Fitch Ratings, Inc. as of June 30, 2025.

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, 2025, the District’s bank balance of approximately \$8.2 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, 2025, the District’s investment balance of approximately \$10.5 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, 2025:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs
Mutual funds	\$ 11,016,771	\$ 11,016,771

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, 2025 consisted of the following:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 2,927,617
State Government	
Apportionment	9,960,963
Categorical aid	3,265,056
Lottery	572,128
Local Sources	
Interest	2,077,815
Other local sources	<u>2,543,253</u>
Total	<u>\$ 21,346,832</u>
Student receivables	<u>\$ 10,015,571</u>

Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2025, was as follows:

	<u>Balance, July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2025</u>
Capital Assets Not Being Depreciated				
Land	\$ 9,703,148	\$ -	\$ -	\$ 9,703,148
Construction in progress	<u>190,830,741</u>	<u>75,487,099</u>	<u>(2,200,097)</u>	<u>264,117,743</u>
Total capital assets not being depreciated	<u>200,533,889</u>	<u>75,487,099</u>	<u>(2,200,097)</u>	<u>273,820,891</u>
Capital Assets Being Depreciated				
Buildings and improvements	488,603,248	74,915	-	488,678,163
Land improvements	103,733,478	2,125,182	-	105,858,660
Furniture and equipment	<u>16,732,944</u>	<u>1,273,035</u>	<u>-</u>	<u>18,005,979</u>
Total capital assets being depreciated	<u>609,069,670</u>	<u>3,473,132</u>	<u>-</u>	<u>612,542,802</u>
Less Accumulated Depreciation				
Buildings and improvements	(109,755,103)	(16,516,590)	-	(126,271,693)
Land improvements	(53,231,050)	(6,059,491)	-	(59,290,541)
Furniture and equipment	<u>(13,956,084)</u>	<u>(937,374)</u>	<u>-</u>	<u>(14,893,458)</u>
Total accumulated depreciation	<u>(176,942,237)</u>	<u>(23,513,455)</u>	<u>-</u>	<u>(200,455,692)</u>
Total capital assets, net	<u>\$ 632,661,322</u>	<u>\$ 55,446,776</u>	<u>\$ (2,200,097)</u>	<u>\$ 685,908,001</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, 2025 consisted of the following:

	Balance, July 1, 2024 as Restated	Additions	Deductions	Balance, June 30, 2025	Due in One Year
General obligation bonds	\$ 776,941,379	\$ 3,711,312	\$ (22,335,000)	\$ 758,317,691	\$ 17,675,000
Bond premium	54,436,068	-	(3,098,861)	51,337,207	-
Compensated absences	22,177,026	8,747,644	-	30,924,670	5,015,709
Supplemental employee retirement plan	3,878,126	-	(2,007,920)	1,870,206	935,075
Total	\$ 857,432,599	\$ 12,458,956	\$ (27,441,781)	\$ 842,449,774	\$ 23,625,784

The change in compensated absences is presented as a net change.

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. 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 February 1 and August 1, at rates ranging from 2.50% to 5.00%. The bonds mature through 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, at rates ranging from 5.00% to 7.30%. The bonds mature through 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, at 5.00%. The bonds mature through 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, at interest rates ranging from 3.00% to 5.00%. The bonds mature through 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. 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. Interest rates for Series 2020B-2 range from 3.00% to 4.00% and is payable semi-annually on August 1 and February 1. The bonds mature August 1, 2040.

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

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

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

Southwestern Community College District

Notes to Financial Statements

June 30, 2025

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.

The outstanding general obligation bonded debt as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued	Accreted Interest	Redeemed	Bonds Outstanding June 30, 2025
2004	8/1/29	2.50% - 5.00%	\$ 49,353,974	\$ 35,720,821	\$ -	\$ 1,821,433	\$ (3,910,000)	\$ 33,632,254
2011	8/1/46	5.00% - 7.30%	68,730,371	25,545,558	-	1,889,879	-	27,435,437
2014	8/1/25	5.00%	27,045,000	7,420,000	-	-	(3,550,000)	3,870,000
2016	8/1/39	3.00% - 5.00%	84,335,000	80,280,000	-	-	(2,390,000)	77,890,000
2017	8/1/47	3.00% - 5.00%	140,000,000	103,600,000	-	-	(335,000)	103,265,000
2020	8/1/39	0.25% - 4.00%	25,000,000	19,645,000	-	-	(1,050,000)	18,595,000
2020	8/1/40	0.25% - 4.00%	30,000,000	17,280,000	-	-	(385,000)	16,895,000
2020	8/1/40	0.37% - 2.63%	56,530,000	52,930,000	-	-	(1,000,000)	51,930,000
2021	8/1/46	2.37% - 4.00%	46,000,000	43,425,000	-	-	(930,000)	42,495,000
2021	8/1/44	0.26% - 3.12%	150,970,000	149,640,000	-	-	(1,105,000)	148,535,000
2021	8/1/46	1.00% - 4.00%	73,620,000	72,810,000	-	-	(640,000)	72,170,000
2021	8/1/46	0.15% - 4.00%	184,000,000	168,645,000	-	-	(7,040,000)	161,605,000
				<u>\$ 776,941,379</u>	<u>\$ -</u>	<u>\$ 3,711,312</u>	<u>\$ (22,335,000)</u>	<u>\$ 758,317,691</u>

Debt Service Requirement to Maturity

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

Fiscal Year	Principal	Current Interest to Maturity	Total
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	16,810,000	21,296,972	38,106,972
2031-2035	118,145,000	96,001,031	214,146,031
2036-2040	189,360,000	69,907,110	259,267,110
2041-2045	206,635,000	36,786,136	243,421,136
2046-2048	113,830,000	4,471,412	118,301,412
Total	\$ 697,250,000	\$ 318,708,579	\$ 1,015,958,579

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Total
2026	\$ 4,068,997	\$ 106,003	\$ 4,175,000
2027	8,368,173	681,827	9,050,000
2028	8,333,993	1,176,007	9,510,000
2029	8,291,744	1,693,256	9,985,000
2030	4,569,348	1,235,652	5,805,000
2031-2035	-	-	-
2036-2040	-	-	-
2041-2045	19,553,266	62,521,734	82,075,000
2046-2047	7,882,170	28,942,830	36,825,000
Total	\$ 61,067,691	\$ 96,357,309	\$ 157,425,000

Supplemental Employee Retirement Plan

The District has entered into an agreement to provide a Supplementary Employee Retirement Plan (SERP) to provide certain benefits to qualifying employees. The District will pay \$1,870,206 on behalf of the retirees through year ending June 30, 2028 in accordance with the following schedule:

Fiscal Year	
2026	\$ 935,075
2027	921,930
2028	13,201
Total	\$ 1,870,206

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

For the year ended June 30, 2025, 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	\$ 18,592,597	\$ 11,532,417	\$ 7,105,133	\$ 735,777
Medicare Premium Payment (MPP) Program	305,219	-	-	(97,462)
Total	<u>\$ 18,897,816</u>	<u>\$ 11,532,417</u>	<u>\$ 7,105,133</u>	<u>\$ 638,315</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	401
Active employees	<u>713</u>
Total	<u><u>1,114</u></u>

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, 2024, the District contributed \$1,602,492 to the Plan, all of which was used for current premiums.

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, 2024:

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

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 11.41%. 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 \$18,592,597 was measured as of June 30, 2024, 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, 2024, were as follows:

Total OPEB liability	\$ 28,552,340
Plan fiduciary net position	<u>(9,959,743)</u>
Net OPEB liability	<u>\$ 18,592,597</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>34.88%</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2024 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total OPEB liability to June 30, 2024. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.80%
Discount rate	4.49%
Healthcare cost trend rates	8.00%

The final equivalent single discount rate used for this year’s valuation is 4.49%. 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 June 30, 2050 based on the current funding strategy assuming the District contributes the expected benefit payments for the current plan members.

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, 2024, (see the discussion of the Plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	7.20%
Fixed Income	7.20%

Discount Rate

The discount rate used to measure the total OPEB liability was 4.49%. 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, 2023	\$ 26,609,253	\$ 8,939,340	\$ 17,669,913
Service cost	1,136,805	-	1,136,805
Interest	1,202,128	-	1,202,128
Difference between expected and actual experience	887,804	-	887,804
Contributions - employer	-	1,602,492	(1,602,492)
Net investment income	-	1,032,323	(1,032,323)
Changes of assumptions	318,842	-	318,842
Benefit payments	(1,602,492)	(1,602,492)	-
Administrative expense	-	(11,920)	11,920
Net change in total OPEB liability	<u>1,943,087</u>	<u>1,020,403</u>	<u>922,684</u>
Balance, June 30, 2024	<u>\$ 28,552,340</u>	<u>\$ 9,959,743</u>	<u>\$ 18,592,597</u>

Changes of economic assumptions reflect a change in the discount rate from 4.46% to 4.49% since the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (3.49%)	\$ 21,659,675
Current discount rate (4.49%)	18,592,597
1% increase (5.49%)	15,964,174

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%)	\$ 15,025,937
Current healthcare cost trend rate (8.00%)	18,592,597
1% increase (9.00%)	22,950,564

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2025, 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	\$ 1,604,435	\$ -
Differences between expected and actual experience	3,395,184	3,646,703
Changes of assumptions	6,522,211	3,458,430
Net difference between projected and actual earnings on OPEB plan investments	10,587	-
Total	\$ 11,532,417	\$ 7,105,133

The deferred outflows of resources related to OPEB resulting from District 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
2026	\$ (159,985)
2027	549,817
2028	(67,955)
2029	(311,290)
Total	\$ 10,587

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 9 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 765,720
2027	98,891
2028	(26,295)
2029	239,686
2030	661,541
Thereafter	1,072,719
	<hr/>
Total	\$ 2,812,262
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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, 2023 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/forms-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, 2025, the District reported a liability of \$305,219 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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, 2024 and June 30, 2023, was 0.1145% and 0.1327%, respectively, resulting in a net decrease in the proportionate share of 0.0182%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(97,462).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.93%
Medicare Part A Premium Cost Trend Rate	5.00%
Medicare Part B Premium Cost Trend Rate	6.50%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 154 or an average of 0.12% of the potentially eligible population (132,333).

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, 2024, 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, 2024, 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, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

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:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.93%)	\$ 329,324
Current discount rate (3.93%)	305,219
1% increase (4.93%)	284,023

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:

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (4.00% Part A and 5.50% Part B)	\$ 282,753
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	305,219
1% increase (6.00% Part A and 7.50% Part B)	330,302

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 \$5,000 to \$50 million and deductible of \$5,000 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, 2025, 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 2024-2025, 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 year ended June 30, 2025, 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	\$ 52,719,278	\$ 28,424,476	\$ 16,097,631	\$ 4,939,833
CalPERS	70,571,669	24,018,239	6,122,149	12,150,489
Total	<u>\$ 123,290,947</u>	<u>\$ 52,442,715</u>	<u>\$ 22,219,780</u>	<u>\$ 17,090,322</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, 2023, 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/forms-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, 2025, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after 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, 2025, are presented above, and the District’s total contributions were \$12,323,699.

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

At June 30, 2025, 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	\$ 52,719,278
State's proportionate share of net pension liability associated with the District	<u>24,187,786</u>
Total	<u><u>\$ 76,907,064</u></u>

The net pension liability was measured as of June 30, 2024. 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 member districts and the State, actuarially determined. The District’s proportionate share for the measurement periods of June 30, 2024 and June 30, 2023, was 0.0785% and 0.0897%, respectively, resulting in a net decrease in the proportionate share of 0.0112%.

Southwestern Community College District

Notes to Financial Statements

June 30, 2025

For the year ended June 30, 2025, the District recognized pension expense of \$4,939,833. In addition, the District recognized pension expense and revenue of \$2,202,015 for support provided by the State. At June 30, 2025, 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	\$ 12,323,699	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	9,906,774	9,978,982
Differences between projected and actual earnings on pension plan investments	-	212,720
Differences between expected and actual experience in the measurement of the total pension liability	5,963,229	2,305,385
Changes of assumptions	230,774	3,600,544
Total	\$ 28,424,476	\$ 16,097,631

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
2026	\$ (3,534,151)
2027	4,256,431
2028	(347,273)
2029	(587,727)
Total	\$ (212,720)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (111,148)
2027	95,294
2028	16,217
2029	208,773
2030	1,315,668
Thereafter	<u>(1,308,938)</u>
Total	<u>\$ 215,866</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, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
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 is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 2024 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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 93,770,345
Current discount rate (7.10%)	52,719,278
1% increase (8.10%)	18,439,934

California Public Employees’ Retirement System (CalPERS) - SEP

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, 2023, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS SEP provisions and benefits in effect at June 30, 2025, 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	27.05%	27.05%

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, 2025, are presented above and the total District contributions were \$12,187,141.

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

As of June 30, 2025, the District reported a liability for its proportionate share of the CalPERS net pension liability totaling \$70,571,669. The net pension liability was measured as of June 30, 2024. 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, 2024 and June 30, 2023, was 0.1975% and 0.2221%, respectively, resulting in a net decrease in the proportionate share of 0.0246%.

For the year ended June 30, 2025, the District recognized pension expense of \$12,150,489. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 12,187,141	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,613,521	5,617,070
Differences between projected and actual earnings on pension plan investments	2,741,302	-
Differences between expected and actual experience in the measurement of the total pension liability	5,916,403	505,079
Changes of assumptions	<u>1,559,872</u>	<u>-</u>
Total	<u>\$ 24,018,239</u>	<u>\$ 6,122,149</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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (23,631)
2027	4,262,101
2028	(629,779)
2029	(867,389)
Total	<u>\$ 2,741,302</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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 2,307,640
2027	1,009,779
2028	(349,772)
Total	<u>\$ 2,967,647</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, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 SEP's 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 SEP 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 104,834,804
Current discount rate (6.90%)	70,571,669
1% increase (7.90%)	42,267,593

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 \$4,884,020 (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.

As of June 30, 2025, the District maintained \$367,972 in the JPA's Risk Management Fund.

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, 2025.

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, 2025.

Construction Commitments

As of June 30, 2025, the District had approximately \$78.7 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 Community Colleges Chancellor’s Office.

Note 13 - Related Party Transactions

Southwestern College Foundation (the 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 year ended June 30, 2025, were valued at \$615,342. Working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated facilities for the year ended June 30, 2025, amounted to \$40,995. Additionally, the District donated office supplies for the year ended June 30, 2025, were valued at \$43,488.

Note 14 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, the current and noncurrent portions of compensated absences were increased by \$3,827,090 and \$12,736,445, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the following table:

Primary Government	
Net Position - Beginning, as previously reported on July 1, 2024	\$ (63,007,340)
Change in accounting principle - adoption of GASB Statement No. 101	<u>(16,563,535)</u>
Net Position - Beginning, as restated on July 1, 2024	<u><u>\$ (79,570,875)</u></u>

Note 15 - Subsequent Events

On July 22, 2025, the District issued \$120,000,000 of Election of 2024 General Obligation Bonds, Series 2025A with a final maturity of August 1, 2055. The bonds carry interest rates between 5.00% and 5.25%. Interest is payable semi-annually on February 1 and August 1 of each year.

Required Supplementary Information
June 30, 2025

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, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 1,136,805	\$ 773,579	\$ 1,158,499	\$ 678,398
Interest	1,202,128	1,019,157	814,733	920,858
Changes of benefit terms	-	1,127,026	-	-
Difference between expected and actual experience	887,804	1,424,152	(940,404)	2,497,255
Changes of assumptions	318,842	4,420,544	(4,123,207)	1,346,925
Benefit payments	(1,602,492)	(1,206,440)	(1,737,471)	(1,029,122)
Net change in total OPEB liability	1,943,087	7,558,018	(4,827,850)	4,414,314
Total OPEB Liability - Beginning	26,609,253	19,051,235	23,879,085	19,464,771
Total OPEB Liability - Ending (a)	<u>\$ 28,552,340</u>	<u>\$ 26,609,253</u>	<u>\$ 19,051,235</u>	<u>\$ 23,879,085</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,602,492	\$ 3,206,440	\$ 1,737,471	\$ 1,029,122
Net investment income	1,032,323	624,497	(870,466)	1,219,301
Benefit payments	(1,602,492)	(1,206,440)	(1,737,471)	(1,029,122)
Administrative expense	(11,920)	(10,811)	(9,740)	(8,889)
Net change in plan fiduciary net position	1,020,403	2,613,686	(880,206)	1,210,412
Plan Fiduciary Net Position - Beginning	8,939,340	6,325,654	7,205,860	5,995,448
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,959,743</u>	<u>\$ 8,939,340</u>	<u>\$ 6,325,654</u>	<u>\$ 7,205,860</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 18,592,597</u>	<u>\$ 17,669,913</u>	<u>\$ 12,725,581</u>	<u>\$ 16,673,225</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	34.88%	33.59%	33.20%	30.18%
Covered Employee Payroll	<u>\$ 102,546,825</u>	<u>\$ 67,376,168</u>	N/A ¹	N/A ¹
Net OPEB Liability as a Percentage of Covered Employee Payroll	18.13%	26.23%	N/A ¹	N/A ¹
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ 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, 2025

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

¹ This information was not available.

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, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contribution	\$ 1,683,714	\$ 1,692,120	N/A ¹	N/A ¹
Contribution in relation to the actuarially determined contribution	<u>1,604,435</u>	<u>1,602,491</u>	<u>N/A¹</u>	<u>N/A¹</u>
Contribution deficiency (excess)	<u>\$ 79,279</u>	<u>\$ 89,629</u>	<u>N/A¹</u>	<u>N/A¹</u>
Covered payroll	<u>116,655,845</u>	<u>102,546,825</u>	<u>N/A¹</u>	<u>N/A¹</u>
Contributions as a percentage of covered payroll	<u>1.38%</u>	<u>1.56%</u>	<u>N/A¹</u>	<u>N/A¹</u>

	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 2,211,317	\$ 2,415,840
Contribution in relation to the actuarially determined contribution	<u>3,290,669</u>	<u>1,574,788</u>
Contribution deficiency (excess)	<u>\$ (1,079,352)</u>	<u>\$ 841,052</u>
Covered payroll	<u>\$ 59,568,992</u>	<u>\$ 57,833,973</u>
Contributions as a percentage of covered payroll	<u>5.52%</u>	<u>2.72%</u>

¹ The District did not receive an Actuarially Determined Contribution (ADC) calculation in the 2023 and 2022 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, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Annual money-weighted rate of return, net of investment expense	<u>11.41%</u>	<u>7.61%</u>	<u>(12.22%)</u>	<u>20.19%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>10.07%</u>	<u>20.45%</u>	<u>6.96%</u>	<u>19.40%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Southwestern Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.1145%	0.1327%	0.1099%	0.1216%
Proportionate share of the net OPEB liability	\$ 305,219	\$ 402,681	\$ 362,148	\$ 485,196
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1368%	0.1374%	0.1341%	0.1335%
Proportionate share of the net OPEB liability	\$ 579,566	\$ 511,595	\$ 513,335	\$ 561,500
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Southwestern Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2025

	2025	2024	2023	2022	2021
CalSTRS					
Proportion of the net pension liability	0.0785%	0.0897%	0.0733%	0.0809%	0.0785%
Proportionate share of the net pension liability	\$ 52,719,278	\$ 68,331,324	\$ 50,900,646	\$ 36,827,645	\$ 76,060,613
State's proportionate share of the net pension liability associated with the District	24,187,786	32,739,459	25,490,844	18,520,243	39,209,255
Total	<u>\$ 76,907,064</u>	<u>\$ 101,070,783</u>	<u>\$ 76,391,490</u>	<u>\$ 55,347,888</u>	<u>\$ 115,269,868</u>
Covered payroll	\$ 56,412,859	\$ 57,133,832	\$ 46,105,213	\$ 46,198,310	\$ 45,506,865
Proportionate share of the net pension liability as a percentage of its covered payroll	93.45%	119.60%	110.40%	79.72%	167.14%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
CalPERS					
Proportion of the net pension liability	0.1975%	0.2221%	0.2133%	0.2170%	0.1983%
Proportionate share of the net pension liability	\$ 70,571,669	\$ 80,411,721	\$ 73,381,156	\$ 44,117,988	\$ 60,840,954
Covered payroll	\$ 39,477,463	\$ 40,826,567	\$ 32,741,414	\$ 31,243,377	\$ 28,879,071
Proportionate share of the net pension liability as a percentage of its covered payroll	178.76%	196.96%	224.12%	141.21%	210.67%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

Southwestern Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2025

	2020	2019	2018	2017	2016
CalSTRS					
Proportion of the net pension liability	0.0777%	0.0750%	0.0740%	0.0779%	0.0800%
Proportionate share of the net pension liability	\$ 70,446,480	\$ 68,930,250	\$ 68,434,460	\$ 62,982,608	\$ 53,859,200
State's proportionate share of the net pension liability associated with the District	38,264,992	39,317,337	40,332,733	35,744,266	30,526,430
Total	<u>\$ 108,711,472</u>	<u>\$ 108,247,587</u>	<u>\$ 108,767,193</u>	<u>\$ 98,726,874</u>	<u>\$ 84,385,630</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>
Proportionate share of the net pension liability as a percentage of its covered payroll	160.45%	164.25%	172.26%	153.43%	135.14%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
CalPERS					
Proportion of the net pension liability	0.2016%	0.2000%	0.2100%	0.1985%	0.2090%
Proportionate share of the net pension liability	\$ 58,764,137	\$ 53,342,294	\$ 47,979,230	\$ 39,193,398	\$ 30,806,804
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>
Proportionate share of the net pension liability as a percentage of its covered payroll	206.16%	204.30%	194.57%	158.59%	128.40%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Southwestern Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2025

	2025	2024	2023	2022	2021
CalSTRS					
Contractually required contribution	\$ 12,323,699	\$ 10,774,856	\$ 10,912,562	\$ 7,801,002	\$ 7,461,027
Contributions in relation to the contractually required contribution	<u>(12,323,699)</u>	<u>(10,774,856)</u>	<u>(10,912,562)</u>	<u>(7,801,002)</u>	<u>(7,461,027)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	<u>\$ 64,521,984</u>	<u>\$ 56,412,859</u>	<u>\$ 57,133,832</u>	<u>\$ 46,105,213</u>	<u>\$ 46,198,310</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
CalPERS					
Contractually required contribution	\$ 12,187,141	\$ 10,532,587	\$ 10,357,700	\$ 7,501,058	\$ 6,467,379
Contributions in relation to the contractually required contribution	<u>(12,187,141)</u>	<u>(10,532,587)</u>	<u>(10,357,700)</u>	<u>(7,501,058)</u>	<u>(6,467,379)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	<u>\$ 45,054,126</u>	<u>\$ 39,477,463</u>	<u>\$ 40,826,567</u>	<u>\$ 32,741,414</u>	<u>\$ 31,243,377</u>
Contributions as a percentage of covered payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>

Southwestern Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2025

	2020	2019	2018	2017	2016
CalSTRS					
Contractually required contribution	\$ 7,766,966	\$ 7,178,963	\$ 6,055,739	\$ 4,997,695	\$ 4,510,356
Contributions in relation to the contractually required contribution	<u>(7,766,966)</u>	<u>(7,178,963)</u>	<u>(6,055,739)</u>	<u>(4,997,695)</u>	<u>(4,510,356)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	<u>\$ 45,506,865</u>	<u>\$ 43,904,504</u>	<u>\$ 41,966,316</u>	<u>\$ 39,727,305</u>	<u>\$ 41,049,196</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>
CalPERS					
Contractually required contribution	\$ 5,650,990	\$ 5,119,561	\$ 4,055,088	\$ 3,424,643	\$ 2,824,088
Contributions in relation to the contractually required contribution	<u>(5,650,990)</u>	<u>(5,119,561)</u>	<u>(4,055,088)</u>	<u>(3,424,643)</u>	<u>(2,824,088)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	<u>\$ 28,879,071</u>	<u>\$ 28,504,767</u>	<u>\$ 26,109,642</u>	<u>\$ 24,659,008</u>	<u>\$ 24,713,187</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</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* – There were no changes in benefit terms since the previous valuation.
- *Changes in Assumptions* – The discount rate was changed from 4.46% to 4.49% 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 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% 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, 2025

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, 2025

Member	Office	Term Expires
Don Dumas	President	2026
Kristine Galicia Brown	Vice President	2028
Nicholas Segura	Member	2028
Robert Moreno	Member	2026
Corina Soto	Member	2026

Administration as of June 30, 2025

Mark Sanchez, Ed.D.	Superintendent/President
Silvia Cornejo	Interim Assistant Superintendent/Vice President, Academic Affairs
Omar Gutierrez, Ed.D.	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

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, 2025

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		\$ 42,246,386	\$ -
Federal Pell Grant Program Administrative Allowance	84.063		31,550	-
Federal Direct Student Loans	84.268		10,417,858	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		741,911	-
Federal Work-Study Program	84.033		627,817	-
Federal Work-Study Program Administrative Allowance	84.033		22,500	-
Subtotal Student Financial Assistance Cluster			54,088,022	-
Child Care Access Means Parents in School (CCAMPIS)	84.335A		209,058	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	24-C01-090	913,205	-
Passed through State of California Department of Rehabilitation				
State Vocational Rehabilitation Program	84.126A	32005	372,906	-
Title V: Hispanic-Serving Institutions	84.0315		866,983	-
Passed through San Diego State University Research Foundation				
Developing Effective Bilingual Educators with Resources	84.0315	D10371-03 SA701 A3 59736E 7804	42,712	-
Subtotal			909,695	-
Total U.S. Department of Education			56,492,886	-
U.S. Department of the Treasury				
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	248,357	-
Total U.S. Department of the Treasury			248,357	-
U.S. Department of Veterans Affairs				
Post-9/11 Veterans Educational Assistance	64.027		11,891	-
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]	77,405	-

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

Southwestern Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

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 Passed through Southwestern College Foundation Procurement Technical Assistance (DLA)	12.002	[1]	\$ 661,231	\$ -
Research and Development Cluster National Science Foundation Mentored Pathways from Community College to Graduate School and Chemistry Careers	47.076		115,395	-
Math Persistence Inquiry and Equity	47.076		141,883	-
Drone Technology	47.076		377,246	-
Passed through University of California San Diego SWC Empower Scholarship	47.076	705584	143,460	-
Passed through Arizona State University NSF INCLUDES Alliance: ALRISE	47.076	ASUB00000917	208,228	-
Passed through the Pennsylvania State University Microelectronics & Nanomanufacturing for Veterans Consortium	47.076	S003223-NSF	79,589	-
Subtotal Research and Development Cluster			<u>1,065,801</u>	
U.S. Department of Housing and Urban Development CDBG - Entitlement/Special Purpose Grants Cluster Passed through City of San Diego Community Development Block Grant	14.218	CED-FY25-007-01	528,776	-
Subtotal CDBG - Entitlement/Special Purpose Grants Cluster			<u>528,776</u>	-
U.S. Department of Agriculture SNAP Cluster Passed through Foundation for California Community Colleges Fresh Success	10.561	00008073	41,481	-
Subtotal SNAP Cluster			<u>41,481</u>	-
Small Business Administration Small Business Administration Passed through Southwestern College Foundation Regional Innovation Clusters (RIC) Support Services	59.037		1,141,095	582,886
Women's Business Center	59.067	[1]	66,306	-
	59.043	[1]	76,831	-
Total Small Business Administration			<u>1,284,232</u>	<u>582,886</u>
U.S. Department of Commerce Build to Scale Program	11.024		825,200	-
Connecting Minority Communities Pilot Program	11.028		1,527,855	-
Total U.S. Department of Commerce			<u>2,353,055</u>	-
Total Federal Financial Assistance			<u>\$ 62,765,115</u>	<u>\$ 582,886</u>

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

Southwestern Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2025

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
Asian American, Native Hawaiian and Pacific Island	\$ 371,821	\$ -	\$ 292,417	\$ 79,404	\$ 79,404
Basic Needs Centers	743,025	-	238,855	504,170	504,170
California College Promise	2,795,377	-	1,061,582	1,733,795	1,733,795
CalWORKs	569,668	-	95,603	474,065	474,065
CARE	715,200	-	23,547	691,653	691,653
CCC Equitable Placement & Completion Grant Program	472,953	-	91,204	381,749	381,749
Common Course Numbering System	913,043	-	867,759	45,284	45,284
CBE Collaborative	73,462	-	-	73,462	73,462
College Rapid Rehousing Funds	2,749,904	-	2,389,348	360,556	360,556
EOPS	5,274,764	-	266,447	5,008,317	5,008,317
Disabled Student Program & Services	3,011,117	-	758,815	2,252,302	2,252,302
Equal Employment Opportunity	237,319	-	142,134	95,185	95,185
Financial Aid Technology	81,915	-	35,496	46,419	46,419
LGBTQ+	266,533	-	226,379	40,154	40,154
Local and Systemwide Technology and Data Security	528,924	-	308,962	219,962	219,962
Mental Health Program	1,051,693	-	858,480	193,213	193,213
Native American Student Support & Success Program	1,444,334	-	1,088,028	356,306	356,306
NextUp	1,535,856	-	268,148	1,267,708	1,267,708
Nursing Education	192,174	-	40,873	151,301	151,301
Physical Plant & Instructional Support	892,958	-	840,840	52,118	52,118
Retention & Enrollment Outreach	1,438,011	-	47,657	1,390,354	1,390,354
SFAA	1,385,841	-	395,042	990,799	990,799
Strong Workforce Program	4,204,905	-	1,551,162	2,653,743	2,653,743
Student Equity and Achievement Program	7,656,517	-	1,182,964	6,473,553	6,473,553
Student Food and Housing Support	757,764	-	399,360	358,404	358,404
Student Success Completion Grant	13,482,532	-	1,366,986	12,115,546	12,115,546
Student Transfer Achievement Reform	565,217	-	509,015	56,202	56,202
Undocumented Resources Liaisons	123,595	-	1,510	122,085	122,085
Transfer Education and Articulation-Seamless Transfer	35,471	-	18,894	16,577	16,577
Veteran Resource Center	958,681	-	631,058	327,623	327,623
Zero Textbook Cost Program	1,351,867	-	1,238,135	113,732	113,732

See Notes to Supplementary Information

Southwestern Community College District
 Schedule of Expenditures of State Awards
 Year Ended June 30, 2025

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	
GoBiz	\$ 2,087,581	\$ 70,623	\$ 470,312	\$ 1,687,892	\$ 1,687,892
Technical Assistance Expansion Program	852,983	1,024,883	25,114	1,852,752	1,852,752
CAEP/AEBG : Economic Development	597,212	48,272	44,006	601,478	601,478
CalOSBA - WBCEP	2,833,061	1,857,695	-	4,690,756	4,690,756
CITC Grant G0227	476,930	-	211,119	265,811	265,811
SBDC - Sierra Health	357,692	-	356,990	702	702
WBC CAMEO SSBCI	134,000	-	35,000	99,000	99,000
Physical Plant and Instruction	16,683	-	-	16,683	16,683
MESA	588,164	35,641	-	623,805	623,805
CCCCO-CAL LAW	101,121	-	54,332	46,789	46,789
Family Child Care App.Tra.Prgm	9,878	722	4,061	6,539	6,539
SWF Job Placement Case Mgmt	55,211	-	-	55,211	55,211
Counselor Institute Round 7 : Student Counseling Guidance	26,553	-	-	26,553	26,553
RERP: Social Work & Human Resources	28,761	11,447	-	40,208	40,208
Credit for Prior Learning : Student Success	9,379	-	-	9,379	9,379
College Based Marketing	19,659	-	-	19,659	19,659
Work-Based Learning: Round 8	45,000	30,000	-	75,000	75,000
Job Placement: Round 8	85,950	52,259	-	138,209	138,209
College Based Marketing: Rnd 8	-	43,423	-	43,423	43,423
Sector Investment Public Admin	-	13,225	-	13,225	13,225
Career Navigation Rd. 7	11,738	-	-	11,738	11,738
Border Region Talent Pipeline	1,524	66,288	-	67,812	67,812
Rising Scholars Network- RJ	347,062	-	243,848	103,214	103,214
RSN-Juvenile Justice	920,454	-	826,828	93,626	93,626
Employee Equity & Inclusion	20,840	-	-	20,840	20,840
Classified Professional Development	3,953	-	1,969	1,984	1,984
COVID Recovery Block Grant	5,099,135	-	-	5,099,135	5,099,135
Campus Police: CalOES	27,308	-	7,698	19,610	19,610
PRT Grant: Innov & Effect Plan	58,610	-	46	58,564	58,564
K-14 Dual Enrollment : Student Counseling Guidance	8,487	-	-	8,487	8,487
K-14 Dual Enrollment 24.25 R8	-	10,578	-	10,578	10,578

See Notes to Supplementary Information

Southwestern Community College District
 Schedule of Expenditures of State Awards
 Year Ended June 30, 2025

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable (Payable)	Unearned Revenue		
Puente - UC Regents FY23.24	\$ 249,306	\$ -	\$ 156,553	\$ 92,753	\$ 92,753
Umoja Comm Ed Foundation Grant	295,338	-	94,976	200,362	200,362
Cal Grant	6,214,702	-	52,933	6,161,769	6,161,769
CHA Cal Grant Chafee	115,000	-	-	115,000	115,000
Total state programs	<u>\$ 77,581,716</u>	<u>\$ 3,265,056</u>	<u>\$ 19,822,485</u>	<u>\$ 61,024,287</u>	<u>\$ 61,024,287</u>

Southwestern Community College District
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
Year Ended June 30, 2025

CATEGORIES	Reported Data**	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2024 only)			
1. Noncredit*	42.68	-	42.68
2. Credit	1,837.44	-	1,837.44
B. Summer Intersession (Summer 2025 - Prior to July 1, 2025)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	7,091.16	-	7,091.16
(b) Daily Census Contact Hours	1,200.15	-	1,200.15
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	224.31	-	224.31
(b) Credit	636.82	-	636.82
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	3,317.70	-	3,317.70
(b) Daily Census Procedure Courses	2,235.29	-	2,235.29
(c) Noncredit Independent Study/Distance Education Courses	8.31	-	8.31
D. Total FTES	<u>16,593.86</u>	<u>-</u>	<u>16,593.86</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	13.04	-	13.04
2. Credit	226.51	-	226.51
CCFS-320 Addendum			
CDCP Noncredit FTES	84.80	-	84.80
Centers FTES			
1. Noncredit*	-	-	-
2. Credit	4,030.13	-	4,030.13

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

**Annual report revised as of October 20, 2025.

Southwestern Community College District
Reconciliation of *Education Code* Section 84362 (50% Law) Calculation
Year Ended June 30, 2025

	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
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 25,747,829	\$ -	\$ 25,747,829	\$ 25,747,829	\$ -	\$ 25,747,829
Other	1300	25,664,267	-	25,664,267	25,664,267	-	25,664,267
Total Instructional Salaries		51,412,096	-	51,412,096	51,412,096	-	51,412,096
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,025,834	-	11,025,834
Other	1400	-	-	-	1,718,983	-	1,718,983
Total Noninstructional Salaries		-	-	-	12,744,817	-	12,744,817
Total Academic Salaries		51,412,096	-	51,412,096	64,156,913	-	64,156,913
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	24,720,118	-	24,720,118
Other	2300	-	-	-	1,414,582	-	1,414,582
Total Noninstructional Salaries		-	-	-	26,134,700	-	26,134,700
Instructional Aides							
Regular Status	2200	3,053,386	-	3,053,386	3,129,782	-	3,129,782
Other	2400	430,923	-	430,923	430,923	-	430,923
Total Instructional Aides		3,484,309	-	3,484,309	3,560,705	-	3,560,705
Total Classified Salaries		3,484,309	-	3,484,309	29,695,405	-	29,695,405
Employee Benefits	3000	21,250,466	-	21,250,466	39,371,953	-	39,371,953
Supplies and Material	4000	-	-	-	1,110,675	-	1,110,675
Other Operating Expenses	5000	1,009,530	-	1,009,530	13,137,515	-	13,137,515
Equipment Replacement	6420	-	-	-	233,190	-	233,190
Total Expenditures Prior to Exclusions		77,156,401	-	77,156,401	147,705,651	-	147,705,651

Southwestern Community College District
 Reconciliation of *Education Code* Section 84362 (50% Law) Calculation
 Year Ended June 30, 2025

	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
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 429,021	\$ -	\$ 429,021	\$ 1,035,424	\$ -	\$ 1,035,424
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,110,413	-	1,110,413
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	83,941	-	83,941
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	183,420	-	183,420
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	267,361	-	267,361

Southwestern Community College District
 Reconciliation of *Education Code* Section 84362 (50% Law) Calculation
 Year Ended June 30, 2025

	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	147,797	-	147,797
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	147,797	-	147,797
Total Capital Outlay		-	-	-	147,797	-	147,797
Other Outgo	7000	-	-	-	3,495,295	-	3,495,295
Total Exclusions		429,021	-	429,021	6,056,290	-	6,056,290
Total for ECS 84362, 50% Law		\$ 76,727,380	\$ -	\$ 76,727,380	\$ 141,649,361	\$ -	\$ 141,649,361
% of CEE (Instructional Salary Cost/Total CEE)		54.17%		54.17%	100.00%		100.00%
50% of Current Expense of Education					\$ 70,824,681		\$ 70,824,681

Southwestern Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2025

Activity Classification	Object Code				Unrestricted
EPA Revenues:	8630				\$ 26,954,397
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 26,954,397	\$ -	\$ -	\$ 26,954,397
Total Expenditures for EPA		\$ 26,954,397	\$ -	\$ -	\$ 26,954,397
Revenues Less Expenditures					\$ -

Southwestern Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2025

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

Total fund balance and retained earnings		
General Funds	\$ 31,806,764	
Special Revenue Funds	2,764,602	
Capital Project Funds	106,817,459	
Debt Service Funds	35,867,614	
Proprietary Funds	1,805,495	
Internal Service Funds	1,555	
Fiduciary Funds	<u>11,016,771</u>	
Total fund balance and retained earnings - all District funds		\$ 190,080,260
Amounts held in trust on behalf of others (Retiree OPEB Trust)		(11,016,771)
The District's investment in the San Diego County treasury investment pool is reported at fair value in the Statement of Net Position.		17,108
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	886,363,693	
Accumulated depreciation is	<u>(200,455,692)</u>	
Total capital assets, net		685,908,001
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	23,628,947	
Deferred outflows of resources related to OPEB	11,532,417	
Deferred outflows of resources related to pensions	<u>52,442,715</u>	
Total deferred outflows of resources		87,604,079
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.		(9,774,521)

Southwestern Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2025

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	\$ (770,522,364)
Compensated absences	(30,924,670)
Supplemental employee retirement plan	(1,870,206)
Aggregate net other postemployment benefits (OPEB) liability	(18,897,816)
Aggregate net pension liability	(123,290,947)
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(39,132,534)

Total long-term liabilities		\$ (984,638,537)
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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 OPEB	(7,105,133)
Deferred inflows of resources related to pensions	(22,219,780)

Total deferred inflows of resources		(29,324,913)
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Total net position (deficit)		\$ (71,145,294)
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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, 2025.

Schedule of Expenditures of Federal Awards (SEFA)Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2025. 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 Community Colleges 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

California *Education Code* section 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 California Community Colleges Chancellor's Office. This schedule provides a reconciliation of the amount reported to the California Community Colleges 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, 2025

**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, 2025, 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 18, 2025.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

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 18, 2025



Independent Auditor’s Report on Compliance for the 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 the Major Federal Program

Opinion on the 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 the District’s major federal program for the year ended June 30, 2025. The District’s major federal program is 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 its major federal program for the year ended June 30, 2025.

Basis for Opinion on the 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 the 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 the 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 18, 2025



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 2024-2025 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, 2025.

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, 2025.

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 2024-2025 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 2024-2025 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 2024-2025 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 498	COVID-19 Recovery Block Grant Expenditures

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

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

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2024-2025 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 18, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

**Southwestern Community College
District**

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	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

<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
Dollar threshold used to distinguish between type A and type B programs:	\$1,882,953
Auditee qualified as low-risk auditee?	No

State Compliance

Type of auditor's report issued on compliance for State programs:	Unmodified
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None reported.

The following finding represents a significant deficiency in internal control over compliance and an instance of noncompliance including questioned costs that is required to be reported by the Uniform Guidance.

2025-001 Special Tests and Provisions – Return of Title IV Funds

Federal Agency: U.S. Department of Education (ED)

Pass-Through Entity: Direct funded by the U.S. Department of Education (ED)

Program Name: Student Financial Assistance Cluster

Assistance Listing Numbers: 84.007, 84.033, 84.063, and 84.268

Award Identification Numbers: P268K251184, P063P241184, P033A240617, P007A240617

Award Year: 2024-2025

Criteria

34 CFR 668.22(a) and 34 CFR 668.22(e)

When a recipient of Title IV assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date.

The amount of Title IV assistance that is earned by the student is calculated by determining the percentage of aid earned by the student and applying the percentage to the total amount of Title IV assistance that was disbursed and that could have been disbursed to the student. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student, or on his or her behalf, as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of title IV assistance earned by the student as calculated under paragraph (e)(1) of this section from the amount of title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

34 CFR 668.173(b)

Returns of Title IV (R2T4) funds are required to be deposited or transferred into the Student Financial Aid (SFA) account or electronic fund transfers initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

Condition

Significant Deficiency in Internal Control over Compliance and Noncompliance– During testing over Return of Title IV requirements, the following exceptions were noted:

- The District inaccurately calculated the Return of Title IV funds for 3 out of the 60 students due to an error in counting the calendar days completed and the total calendar days in the period. Of the 3 errors noted, 1 student received a post-withdrawal disbursement when in fact, there should have been a return of funds back to ED.
- The District did not return the institution's portion of the required return in a timely manner for 2 out of the 60 students.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

There were 997 Return of Title IV calculations performed during the year ended June 30, 2025.

Effect

The District is not in compliance with the Federal Return of Title IV requirements described in the OMB *Compliance Supplement*.

Cause

The District's internal controls were not sufficient to ensure that the Return of Title IV funds were calculated timely and accurately, and returned in a timely manner.

Repeat Finding (Yes or No)

No.

Recommendation

The District should strengthen internal controls over the review of Return of Title IV calculations to ensure that calculations are accurate, and funds are returned in a timely manner.

Views of Responsible Officials and Corrective Action Plan

We concur. The Financial Aid department has strengthened R2T4 compliance through staff training, system validation, deadline tracking, peer reviews, and internal audits. The Director will also conduct an annual comprehensive review to assess processes, staffing, and systems to ensure ongoing compliance and improvement.

None reported.

Southwestern Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

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