Financial Statements
June 30, 2023

Southwestern Community College District

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Schedule of Findings and Questioned Costs

CPAs & BUSINESS ADVISORS

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 the remaining fund information of the Southwestern Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the remaining fund information of the Southwestern Community College District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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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 66 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 content are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 19, 2023

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Southwestern Community College District (the "District") for the year ended June 30, 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

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

Getting to Know Southwestern College

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

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

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Southwestern College History

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

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

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

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

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

Commitment to Equity, Diversity, and Inclusion

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

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

Budgeting and Financial Management

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

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

FINANCIAL HIGHLIGHTS AND SIGNIFICANT EVENTS

- The District's primary funding source is from "State Apportionment Funding" received from the California Community Colleges Chancellor's Office (CCCCO). This funding is one factor of the overall student centered funding formula for community colleges. The other two factors are student enrollment fees ($46 per unit) and local property taxes. The primary source of this apportionment is the calculation of Full-Time Equivalent Students (FTES). FTES were 13,878 for FY2022-2023.

- The District's total combined net position was $(72,125,722) at June 30, 2023. This is a change from the total combined net position as of June 30, 2022, which reflected $(70,144,601).

- A cost-of-living adjustment (COLA) of 6.56% to SCFF apportionment was included in the FY 2022-23 Budget Act.

- At June 30, 2023, the value of the District's Other Postemployment Benefits (OPEB) trust was $6.3 million, and the District's GASB Statement No. 75 OPEB liability of $12.7 million is 33% 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, 2023 and 2022 are summarized below:

	2023	2022	Change
Assets			
Cash and investments	$ 393,545,105	$ 440,661,522	$ (47,116,417)
Receivables	34,006,816	12,339,876	21,666,940
Other current assets	521,069	475,658	45,411
Capital assets, net	542,639,093	507,556,216	35,082,877
Total assets	970,712,083	961,033,272	9,678,811
Deferred outflows of resources	77,481,882	63,965,340	13,516,542
Liabilities			
Accounts payable and accrued liabilities	96,358,640	58,541,445	37,817,195
Current portion of long-term liabilities	21,026,898	20,755,565	271,333
Noncurrent portion of long-term liabilities	977,586,618	956,413,701	21,172,917
Total liabilities	1,094,972,156	1,035,710,711	59,261,445
Deferred inflows of resources	25,347,531	59,432,502	(34,084,971)
Net Position (Deficit)			
Net investment in capital assets	16,821,268	8,765,353	8,055,915
Restricted	45,822,143	52,559,453	(6,737,310)
Unrestricted deficit	(134,769,133)	(131,469,407)	(3,299,726)
Total net position (deficit)	$ (72,125,722)	$ (70,144,601)	$ (1,981,121)

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, 2023 and 2022, are summarized and presented below:

	2023	2022	Change
Operating Revenues			
Tuition and fees, net	$ 8,637,636	$ 8,309,402	$ 328,234
Grants and contracts, noncapital	54,885,903	67,888,522	(13,002,619)
Auxiliary sales and charges	4,568,576	3,054,512	1,514,064
Total operating revenues	68,092,115	79,252,436	(11,160,321)
Operating Expenses			
Salaries and employee benefits	141,313,297	123,200,281	18,113,016
Supplies, materials, and other operating	45,282,399	41,804,361	3,478,038
Student financial aid	54,434,649	69,762,775	(15,328,126)
Depreciation	23,365,493	17,682,298	5,683,195
Total operating expenses	264,395,838	252,449,715	11,946,123
Operating loss	(196,303,723)	(173,197,279)	(23,106,444)
Nonoperating Revenues (Expenses)			
State apportionments, noncapital	75,363,879	66,764,612	8,599,267
Property taxes	71,746,706	68,404,981	3,341,725
Student financial aid grants	47,799,225	51,495,821	(3,696,596)
State revenues	6,284,484	8,035,287	(1,750,803)
Net interest expense	(15,971,566)	(33,486,102)	17,514,536
Other nonoperating revenues	9,099,874	9,598,218	(498,344)
Total nonoperating revenue (expenses)	194,322,602	170,812,817	23,509,785
Change in net position (deficit)	$ (1,981,121)	$ (2,384,462)	$ 403,341

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, 2023:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 61,244,078	$ 2,438,399	$ -	$ -	$ 63,682,477
Academic support	25,449,669	1,346,765	-	-	26,796,434
Student services	18,911,672	1,664,050	-	-	20,575,722
Plant operations and maintenance	5,041,870	4,627,546	-	-	9,669,416
Instructional support services	20,004,047	7,217,691	-	-	27,221,738
Community services and economic development	4,206,907	13,411,202	-	-	17,618,109
Ancillary services and auxiliary operations	5,939,834	4,399,333	-	-	10,339,167
Physical property and related acquisitions	261,972	9,999,078	-	-	10,261,050
Student aid	253,248	178,335	54,434,649	-	54,866,232
Unallocated depreciation	-	-	-	23,365,493	23,365,493
Total	$ 141,313,297	$ 45,282,399	$ 54,434,649	$ 23,365,493	$ 264,395,838

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, 2023 and 2022, are summarized and presented below:

	2023	2022	Change
Net Cash Flows from			
Operating activities	$ (163,931,162)	$ (144,620,564)	$ (19,310,598)
Noncapital financing activities	172,753,591	173,143,723	(390,132)
Capital financing activities	(62,727,984)	227,383,691	(290,111,675)
Investing activities	6,789,138	(7,873,730)	14,662,868
Change in Cash and Cash Equivalents	(47,116,417)	248,033,120	(295,149,537)
Cash and Cash Equivalents, Beginning of Year	440,661,522	192,628,402	248,033,120
Cash and Cash Equivalents, End of Year	$ 393,545,105	$ 440,661,522	$ (47,116,417)

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

As of June 30, 2023, the District had $542.6 million in net capital assets. Total capital assets consist of land, buildings, and building improvements, construction in progress, vehicles and other equipment. Accumulated depreciation related to these assets is $153.2 million. Depreciation expense of $23.4 million was recorded for the fiscal year. Note 6 to the financial statements provides additional information on capital assets.

	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
Capital Assets				
Land and construction in progress	$ 176,603,282	$ 57,138,271	$ (140,732,345)	$ 93,009,208
Buildings and improvements	446,667,365	140,732,345	-	587,399,710
Furniture, equipment and vehicles	14,167,921	1,310,099	-	15,478,020
Subtotal capital assets	637,438,568	199,180,715	(140,732,345)	695,886,938
Accumulated depreciation	(129,882,352)	(23,365,493)	-	(153,247,845)
Total capital assets, net	$ 507,556,216	$ 175,815,222	$ (140,732,345)	$ 542,639,093

Long-Term Liabilities Other than OPEB and Pensions

At June 30, 2023, the District had $861.2 million in outstanding long-term liabilities compared to $879.1 million at June 30, 2022. We present more detailed information regarding out long-term liabilities in Note 7 to the financial statements.

	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
General obligation bonds	$ 869,227,924	$ 3,346,355	$ (22,388,861)	$ 850,185,418
Lease revenue bonds	378,841	-	(116,921)	261,920
Other liabilities	9,458,447	4,871,650	(3,533,450)	10,796,647
Total long-term liabilities	$ 879,065,212	$ 8,218,005	$ (26,039,232)	$ 861,243,985
Amount due within one year				$ 21,026,898

OPEB and Pension Liabilities

At June 30, 2023, the District has an aggregate other postemployment benefit liability (OPEB) of $13,087,729 compared to $17,158,421 at June 30, 2022, a net decrease of $4,070,692 or 23.7%.

At June 30, 2023, the District has an aggregate net pension liability of $124,281,802 compared to $80,945,633 at June 30, 2022, a net increase of $43,336,169 or 53.5%.

STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK

The FY 2023-24 Budget Act increases Proposition 98 funding for community colleges over FY 2022-23 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 8.22%.

The District's unrestricted general fund revenue budget for FY 2023-24 is $141.4 million, compared to FY 2022-23 budgeted revenues of $134.5million, an 5% increase.

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

Basic Allocation		$14.9
Full-Time Equivalent Students		$78.4
Supplemental Allocation		$22.0
Student Success		$13.0
	Total	$128.3

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

California State principal apportionment	$83.2
Property taxes	$39.8
Enrollment fees	$ 5.3
Total	$128.3

The District projects other unrestricted general fund revenue of $13.2 million including locally generated revenue, lottery proceeds and non-resident tuition.

The District's FY 2023-2024 General Fund unrestricted budgeted expenses of $140.1 million compared to FY 2022-2023 budgeted expenses of $131.2 million, representing a 6% increase.

The total District-wide expense budget for all funds in FY 2022-2023 is $209 million.

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

- Committed for Economic Uncertainty: $19.5 million (2 months of General Fund expenditures)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Assets	
Cash and cash equivalents	$ 23,413,433
Investments	370,131,672
Accounts receivable	30,063,900
Student receivables	3,942,916
Prepaid expenses	14,229
Inventories	506,840
Capital assets	
Nondepreciable capital assets	93,009,208
Depreciable capital assets, net of accumulated depreciation	449,629,885
Total capital assets, net	542,639,093
Total assets	970,712,083
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	26,128,137
Deferred outflows of resources related to OPEB	9,152,563
Deferred outflows of resources related to pensions	42,201,182
Total deferred outflows of resources	77,481,882
Liabilities	
Accounts payable	38,199,059
Accrued interest payable	10,345,841
Unearned revenue	47,813,740
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	21,026,898
Long-term liabilities other than OPEB and pensions, due in more than one year	840,217,087
Aggregate net other postemployment benefits (OPEB) liability	13,087,729
Aggregate net pension liability	124,281,802
Total liabilities	1,094,972,156
Deferred Inflows of Resources	
Deferred inflows of resources related to debt refunding	331,579
Deferred inflows of resources related to OPEB	9,898,153
Deferred inflows of resources related to pensions	15,117,799
Total deferred inflows of resources	25,347,531
Net Position (Deficit)	
Net investment in capital assets	16,821,268
Restricted for	
Debt service	33,877,942
Capital projects	10,586,282
Educational programs	254,721
Other activities	1,103,198
Unrestricted deficit	(134,769,133)
Total net position (deficit)	$ (72,125,722)

Operating Revenues	
Tuition and fees	$ 19,496,764
Less: Scholarship discounts and allowances	(10,859,128)
Net tuition and fees	8,637,636
Grants and contracts, noncapital	
Federal	11,213,685
State	43,330,409
Local	341,809
Total grants and contracts, noncapital	54,885,903
Auxiliary enterprise sales and charges	
Bookstore	2,738,217
Food service	1,134,239
Other enterprise	696,120
Total auxiliary enterprise sales and charges	4,568,576
Total operating revenues	68,092,115
Operating Expenses	
Salaries	105,801,394
Employee benefits	35,511,903
Supplies, materials, and other operating expenses and services	45,282,399
Student financial aid	54,434,649
Depreciation	23,365,493
Total operating expenses	264,395,838
Operating Loss	(196,303,723)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	75,363,879
Local property taxes, levied for general purposes	37,965,129
Taxes levied for other specific purposes	33,781,577
Federal and State financial aid grants	47,799,225
State taxes and other revenues	6,284,484
Investment income, net	8,211,346
Interest expense on capital related debt	(26,208,509)
Investment income on capital asset-related debt, net	2,025,597
Other nonoperating revenue	9,099,874
Total nonoperating revenues (expenses)	194,322,602
Change In Net Position (Deficit)	(1,981,121)
Net Position (Deficit), Beginning of Year	(70,144,601)
Net Position (Deficit), End of Year	$ (72,125,722)

Operating Activities	
Tuition and fees	$ 6,694,478
Federal, state, and local grants and contracts, noncapital	65,098,367
Auxiliary enterprise sales and charges	4,568,576
Payments to or on behalf of employees	(153,100,458)
Payments to vendors for supplies and services	(32,757,476)
Payments to students for scholarships and grants	(54,434,649)
Net cash flows from operating activities	(163,931,162)
Noncapital Financing Activities	
State apportionments	63,194,126
Federal and state financial aid grants	57,644,767
Property taxes - nondebt related	37,965,129
State taxes and other apportionments	6,685,035
Other nonoperating	7,264,534
Net cash flows from noncapital financing activities	172,753,591
Capital Financing Activities	
Purchase of capital assets	(52,656,674)
Property taxes - related to capital debt	33,781,577
Principal paid on capital debt	(19,405,000)
Interest paid on capital debt	(25,137,441)
Interest received on capital asset-related debt	689,554
Net cash flows from capital financing activities	(62,727,984)
Investing Activities	
Change in fair value of cash in county treasury	(12,453)
Interest received from investments	6,801,591
Net cash flows from investing activities	6,789,138
Change In Cash and Cash Equivalents	(47,116,417)
Cash and Cash Equivalents, Beginning of Year	440,661,522
Cash and Cash Equivalents, End of Year	$ 393,545,105

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (196,303,723)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	23,365,493
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(5,304,147)
Inventories	(34,812)
Prepaid expenses	(10,599)
Deferred outflows of resources related to OPEB	5,385
Deferred outflows of resources related to pensions	(14,771,522)
Accounts payable	8,864,815
Unearned revenue	13,573,453
Compensated absences	(679,364)
Load banking	(529,191)
Supplemental employee retirement plan	2,546,755
Aggregate net OPEB liability	(4,070,692)
Aggregate net pension liability	43,336,169
Deferred inflows of resources related to OPEB	3,101,765
Deferred inflows of resources related to pensions	(37,020,947)
Total adjustments	32,372,561
Net cash flows from operating activities	$ (163,931,162)
Cash and Cash Equivalents Consist of the Following:	
Cash in banks	$ 23,272,433
Cash with fiscal agent	141,000
Cash in county treasury	370,131,672
Total cash and cash equivalents	$ 393,545,105
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	$ 1,249,595
Amortization of deferred inflows of resources related to debt refunding	$ 165,789
Amortization of debt premiums	$ 3,100,782
Accretion of interest on capital appreciation bonds	$ 3,346,355

	Retiree OPEB Trust
Assets	
Investments	$ 8,939,340
Net Position	
Restricted for postemployment benefits other than pensions	$ 8,939,340

	Retiree OPEB Trust
Additions	
District contributions	$ 1,763,508
Net realized and unrealized gain	624,497
Total additions	2,388,005
Deductions	
Benefit payments	1,763,508
Administrative expenses	10,811
Total deductions	1,774,319
Change in Net Position	613,686
Net Position - Beginning of Year	8,325,654
Net Position - End of Year	$ 8,939,340

Note 1 - Organization

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

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

Investments

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

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

Accounts Receivable

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

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed.

The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

Compensated Absences and Load Banking

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

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

Debt Premiums

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Unearned Revenue

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

Noncurrent Liabilities

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $45,822,143 of restricted net position, and the fiduciary funds financial statements report $8,939,340 of restricted net position.

Operating and Nonoperating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarship Discounts and Allowances

Tuition and fee revenue is reported net of scholarships 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.

Change in Accounting Principles

Implementation of GASB Statement No. 91

As of July 1, 2022, the District adopted GASB Statement No. 91*, Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 94

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of an asset, receivable, and deferred inflow of resources. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Note 3 - Deposits and Investments

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	$ 23,238,447	$ -
Cash in revolving	33,986	-
Cash with fiscal agent	141,000	-
Investments	370,131,672	8,939,340
Total deposits and investments	$ 393,545,105	$ 8,939,340

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 Master Trust funds.

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

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
Master Trust	$ 8,939,340	N/A	Not rated
San Diego County Treasury Investment Pool	370,131,672	438	AAA
Total	$ 379,071,012		

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Master Trust is not required to be rated, nor has it been rated as of June 30, 2023. The San Diego County Treasury Investment Pool was rated AAA by Fitch Ratings, Inc. as of June 30, 2023.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of approximately $23.3 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, 2023, the District's investment balance of approximately $8.4 million was exposed to custodial credit risk because it exceeded Securities Investor Protection Corporation (SIPC) insurance of $500,000. 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, 2023:

Investment Type	Fair Value	Fair Value Measurements Using Level 3 Inputs
Master Trust	$ 8,939,340	$ 8,939,340

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, 2023 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	$ 2,914,594
State Government	
Apportionment	12,169,753
Categorical aid	4,833,862
Lottery	496,694
Local Sources	
Interest	2,983,126
Other local sources	6,665,871
Total	$ 30,063,900
Student receivables	$ 3,942,916

Note 6 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
Capital Assets Not Being Depreciated				
Land	$ 9,703,148	$ -	$ -	$ 9,703,148
Construction in progress	166,900,134	57,138,271	(140,732,345)	83,306,060
Total capital assets not being depreciated	176,603,282	57,138,271	(140,732,345)	93,009,208
Capital Assets Being Depreciated				
Buildings and improvements	356,601,874	128,983,888	-	485,585,762
Land improvements	90,065,491	11,748,457	-	101,813,948
Furniture and equipment	14,167,921	1,310,099	-	15,478,020
Total capital assets being depreciated	460,835,286	142,042,444	-	602,877,730
Total capital assets	637,438,568	199,180,715	(140,732,345)	695,886,938
Less Accumulated Depreciation				
Buildings and improvements	(76,816,583)	(16,408,910)	-	(93,225,493)
Land improvements	(42,241,544)	(5,446,358)	-	(47,687,902)
Furniture and equipment	(10,824,225)	(1,510,225)	-	(12,334,450)
Total accumulated depreciation	(129,882,352)	(23,365,493)	-	(153,247,845)
Net capital assets	$ 507,556,216	$ 175,815,222	$ (140,732,345)	$ 542,639,093

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, 2023 consisted of the following:

	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023	Due in One Year
General obligation bonds	$ 808,594,134	$ 3,346,355	$ (19,290,000)	$ 792,650,489	$ 19,315,000
Bond premium	60,633,790	-	(3,098,861)	57,534,929	-
Lease revenue bonds	375,000	-	(115,000)	260,000	260,000
Bond premium	3,841	-	(1,921)	1,920	-
Compensated absences	4,608,464	-	(679,364)	3,929,100	-
Load banking	2,066,714	-	(529,191)	1,537,523	-
Supplemental employee retirement plan	2,783,269	4,871,650	(2,324,895)	5,330,024	1,451,898
Total	$ 879,065,212	$ 8,218,005	$ (26,039,232)	$ 861,243,985	$ 21,026,898

Description of Long-Term Liabilities

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

General Obligation Bonds

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

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

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

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

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

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

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

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

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

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

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

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

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2004	8/1/29	2.50% - 5.00%	$ 49,353,974	$ 32,166,622	$ -	$ 1,708,032	$ -	$ 33,874,654
2011	8/1/46	5.00% - 7.30%	68,730,371	22,147,512	-	1,638,323	-	23,785,835
2014	8/1/25	5.00%	27,045,000	13,640,000	-	-	(2,970,000)	10,670,000
2016	8/1/39	3.00% - 5.00%	84,335,000	84,335,000	-	-	(1,905,000)	82,430,000
2017	8/1/47	3.00% - 5.00%	140,000,000	103,760,000	-	-	-	103,760,000
2020	8/1/39	0.25% - 4.00%	25,000,000	23,140,000	-	-	(1,675,000)	21,465,000
2020	8/1/40	0.25% - 4.00%	30,000,000	28,515,000	-	-	(10,210,000)	18,305,000
2020	8/1/40	0.37% - 2.63%	56,530,000	54,930,000	-	-	(1,000,000)	53,930,000
2021	8/1/46	2.37% - 4.00%	46,000,000	46,000,000	-	-	(1,000,000)	45,000,000
2021	8/1/44	0.26% - 3.12%	150,970,000	150,970,000	-	-	(530,000)	150,440,000
2021	8/1/46	1.00% - 4.00%	73,620,000	73,620,000	-	-	-	73,620,000
2021	8/1/46	0.15% - 4.00%	184,000,000	175,370,000	-	-	-	175,370,000
				$ 808,594,134	$ -	$ 3,346,355	$ (19,290,000)	$ 792,650,489

Debt Service Requirement to Maturity

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

Fiscal Year	Principal	Current Interest to Maturity	Total
2024	$ 19,315,000	$ 24,476,058	$ 43,791,058
2025	18,425,000	23,793,399	42,218,399
2026	13,500,000	23,214,582	36,714,582
2027	11,220,000	22,786,952	34,006,952
2028	17,735,000	24,442,070	42,177,070
2029-2033	95,590,000	102,196,577	197,786,577
2034-2038	155,695,000	80,903,050	236,598,050
2039-2043	201,840,000	50,032,845	251,872,845
2044-2048	201,670,000	15,132,503	216,802,503
Total	$ 734,990,000	$ 366,978,036	$ 1,101,968,036

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Total
2024	$ -	$ -	$ -
2025	3,623,905	286,095	3,910,000
2026	3,648,700	526,300	4,175,000
2027	7,538,469	1,511,531	9,050,000
2028	7,498,825	2,011,175	9,510,000
2029-2033	11,564,755	4,225,245	15,790,000
2034-2038	-	-	-
2039-2043	9,453,489	32,161,511	41,615,000
2044-2047	14,332,346	62,952,654	77,285,000
Total	$ 57,660,489	$ 103,674,511	$ 161,335,000

Lease Revenue Bonds

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

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

The lease revenue bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 260,000	$ 4,875	$ 264,875

Supplemental Employee Retirement Plan

The District has entered into various agreements to provide a Supplementary Employee Retirement Plan (SERP) to provide certain benefits to qualifying employees. The District will pay $5,330,024 on behalf of the retirees through 2027 in accordance with the following schedule:

Fiscal Year	2021 Plan	2023 Plan	Total
2024	$ 477,568	$ 974,330	$ 1,451,898
2025	477,568	974,330	1,451,898
2026	477,568	974,330	1,451,898
2027	-	974,330	974,330
Total	$ 1,432,704	$ 3,897,320	$ 5,330,024

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

For the year ended June 30, 2023, 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	$ 12,725,581	$ 9,152,563	$ 9,898,153	$ (840,494)
Medicare Premium Payment (MPP) Program	362,148	-	-	(123,048)
Total	$ 13,087,729	$ 9,152,563	$ 9,898,153	$ (963,542)

The details of each plan are as follows:

District Plan

Plan Administration

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

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

Plan Membership

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

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

Southwestern Community College District Retiree Health Benefit Program Trust

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

Benefits Provided

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

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The voluntary contributions are based on projected pay-as-you-go financing requirements. For the measurement period of June 30, 2022, the District paid $1,737,471 in benefits, of which $1,345,375 was used for current premiums and $392,096 represents the effect of the implicit rate subsidy.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Equity	50%
Fixed Income	50%

Rate of Return

For the year ended June 30, 2022, the annual money-weighed rate of return on investments, net of investment expense, was (12.22%). 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 $12,725,581 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	$ 19,051,235
Plan fiduciary net position	(6,325,654)
Net OPEB liability	$ 12,725,581
Plan fiduciary net position as a percentage of the total OPEB liability	33.20%

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Discount rate	5.30%
Healthcare cost trend rates	6.50%

The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of bond indices, including Bond Buyer Go 20-Bond Municipal Bond Index, S&P Municipal Bond 20-Year High Grade Rate Index, and Fidelity 20-Year Go Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 5.30%. The Trust is expected to be depleted by 2045 based on the current funding strategy.

The mortality rates utilized were based on the following:

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, (see the discussion of the Plan's investment policy) are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total OPEB liability was 5.30%. 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, 2021	$ 23,879,085	$ 7,205,860	$ 16,673,225
Service cost	1,158,499	-	1,158,499
Interest	814,733	-	814,733
Difference between expected and actual experience	(940,404)	-	(940,404)
Contributions - employer	-	1,737,471	(1,737,471)
Expected investment income (loss)	-	(870,466)	870,466
Changes of assumptions	(4,123,207)	-	(4,123,207)
Benefit payments	(1,737,471)	(1,737,471)	-
Administrative expense	-	(9,740)	9,740
Net change in total OPEB liability	(4,827,850)	(880,206)	(3,947,644)
Balance, June 30, 2022	$ 19,051,235	$ 6,325,654	$ 12,725,581

There were no changes in benefit terms. Changes of economic assumptions reflect a change in the discount rate from 3.37% to 5.30% and a change in the healthcare cost trend rate from 7.00% to 6.50% 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 (4.30%)	$ 14,703,384
Current discount rate (5.30%)	12,725,581
1% increase (6.30%)	11,024,886

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 (5.50%)	$ 10,664,947
Current healthcare cost trend rate (6.50%)	12,725,581
1% increase (7.50%)	15,226,012

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2023, 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	$ 1,763,508	$ -
Differences between expected and actual experience	1,997,803	5,328,989
Changes of assumptions	4,709,770	4,569,164
Net difference between projected and actual earnings on OPEB plan investments	681,482	-
Total	$ 9,152,563	$ 9,898,153

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 149,892
2025	141,758
2026	114,924
2027	274,908
Total	$ 681,482

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (42,305)
2025	(200,331)
2026	(219,032)
2027	(149,225)
2028	(1,052,165)
Thereafter	(1,527,522)
Total	$ (3,190,580)

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, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of $362,148 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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 period June 30, 2022 and June 30, 2021, respectively, was 0.1099%, and 0.1216%, resulting in a net decrease in the proportionate share of 0.0117%.

For the year ended June 30, 2023, the District recognized OPEB expense of $(123,048).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

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, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	$ 394,811
Current discount rate (3.54%)	362,148
1% increase (4.54%)	333,866

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 Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 332,284
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	362,148
1% increase (5.50% Part A and 6.40% Part B)	396,000

Note 9 - Risk Management

Property and Liability Insurance Coverages

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

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2023, 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 2022-2023, the District participated in the Protected Insurance Program for Schools Joint Powers Authority (PIPS). PIPS is a self-insurance pool that provides workers' compensation protection to its membership of public schools and community colleges throughout California. It is the first program to provide "first dollar" protection, while incorporating both risk retention and risk transfer to achieve maximum efficiency in the cost of risk. PIPS was created to provide an alternative for workers' compensation coverage normally provided utilizing traditional self-insurance, guaranteed cost, high deductible, or other available programs. PIPS provides comprehensive member services as well as state regulatory compliance on behalf of the reinsurers that underwrite the program. The JPA structure provides participating member agencies, and the Board of Directors, with a great deal of latitude in how services are to be delivered and how the liabilities will be financed. Through a combination of risk transfer to reinsurers and risk retention by its self-insured members, each year's structure strives to combine high probability level funding in the primary layers with catastrophic protection up to at least $155,000,000 per occurrence.

Note 10 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, 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	$ 50,900,646	$ 14,689,589	$ 11,821,382	$ 2,945,027
CalPERS	73,381,156	27,511,593	3,296,417	9,868,935
Total	$ 124,281,802	$ 42,201,182	$ 15,117,799	$ 12,813,962

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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	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 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the District's total contributions were $10,912,562.

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

At June 30, 2023, 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	$ 50,900,646
State's proportionate share of net pension liability associated with the District	25,490,844
Total	$ 76,391,490

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.0733% and 0.0809%, respectively, resulting in a net decrease in the proportionate share of 0.0076%.

For the year ended June 30, 2023, the District recognized pension expense of $2,945,027. In addition, the District recognized pension expense and revenue of $2,055,820 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,912,562	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,210,972	5,515,757
Differences between projected and actual earnings on pension plan investments	-	2,489,140
Differences between expected and actual experience in the measurement of the total pension liability	41,754	3,816,485
Changes of assumptions	2,524,301	-
Total	$ 14,689,589	$ 11,821,382

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
2024	$ (1,828,458)
2025	(1,980,824)
2026	(2,975,602)
2027	4,295,744
Total	$ (2,489,140)

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
2024	$ 748,057
2025	(1,387,269)
2026	(1,376,648)
2027	(1,183,505)
2028	(1,261,484)
Thereafter	(1,094,366)
Total	$ (5,555,215)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 86,448,176
Current discount rate (7.10%)	50,900,646
1% increase (8.10%)	21,385,509

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

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, 2023, are presented above, and the total District contributions were $10,357,700.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $73,381,156. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.2133% and 0.2170%, respectively, resulting in a net decrease in the proportionate share of 0.0037%.

For the year ended June 30, 2023, the District recognized pension expense of $9,868,935. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,357,700	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,729,613	1,470,600
Differences between projected and actual earnings on pension plan investments	8,664,319	-
Differences between expected and actual experience in the measurement of the total pension liability	331,640	1,825,817
Changes of assumptions	5,428,321	-
Total	$ 27,511,593	$ 3,296,417

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
2024	$ 1,444,933
2025	1,281,555
2026	654,634
2027	5,283,197
Total	$ 8,664,319

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
2024	$ 1,990,391
2025	2,285,493
2026	998,558
2027	(81,285)
Total	$ 5,193,157

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.45%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 106,002,796
Current discount rate (6.90%)	73,381,156
1% increase (7.90%)	46,420,570

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 $4,063,634 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 11 - Participation in Public Entity Risk Pools and Joint Powers Authorities

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

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

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

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

Note 12 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

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, 2023.

Construction Commitments

As of June 30, 2023, the District had approximately $241.2 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 13 - Related Party Transactions

The Southwestern College Foundation provides various levels of monetary support and service to the District. The Foundation was organized as an independent organization under California *Business Code* and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. The District pays the salaries and benefits of the executive director and development coordinator, as well as a portion of the accountant. The donated services for the fiscal year ended June 30, 2023, were valued at $590,806. Working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated facilities for the fiscal year ended June 30, 2023, amounted to $33,880 and have been reflected in the financial statement of the Foundation as donated facility space. Additionally, the District donated office supplies for the fiscal year ended June 30, 2023, were valued at $34,853.

Required Supplementary Information
June 30, 2023

Southwestern Community College District

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 1,158,499	$ 678,398	$ 803,334
Interest	814,733	920,858	932,895
Difference between expected and actual experience	(940,404)	2,497,255	(2,214,040)
Changes of assumptions	(4,123,207)	1,346,925	(1,287,416)
Benefit payments	(1,737,471)	(1,029,122)	(990,669)
Net change in total OPEB liability	(4,827,850)	4,414,314	(2,755,896)
Total OPEB Liability - Beginning	23,879,085	19,464,771	22,220,667
Total OPEB Liability - Ending (a)	$ 19,051,235	$ 23,879,085	$ 19,464,771
Plan Fiduciary Net Position			
Contributions - employer	$ 1,737,471	$ 1,029,122	$ 1,290,669
Expected investment income (loss)	(870,466)	1,219,301	257,130
Benefit payments	(1,737,471)	(1,029,122)	(990,669)
Administrative expense	(9,740)	(8,889)	(8,434)
Net change in plan fiduciary net position	(880,206)	1,210,412	548,696
Plan Fiduciary Net Position - Beginning	7,205,860	5,995,448	5,446,752
Plan Fiduciary Net Position - Ending (b)	$ 6,325,654	$ 7,205,860	$ 5,995,448
Net OPEB Liability - Ending (a) - (b)	$ 12,725,581	$ 16,673,225	$ 13,469,323
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33.20%	30.18%	30.80%
Covered Employee Payroll	$ 78,846,627	$ 77,441,687	$ 74,385,936
Net OPEB Liability as a Percentage of Covered Employee Payroll	16.14%	21.53%	18.11%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

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

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

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 793,547	$ 803,347	$ 781,846
Interest	1,068,759	793,810	1,103,513
Difference between expected and actual experience	(5,010,993)	-	-
Changes of assumptions	2,348,340	5,148,527	-
Benefit payments	(940,706)	(846,834)	(838,883)
Net change in total OPEB liability	(1,741,053)	5,898,850	1,046,476
Total OPEB Liability - Beginning	23,961,720	18,062,870	17,016,394
Total OPEB Liability - Ending (a)	$ 22,220,667	$ 23,961,720	$ 18,062,870
Plan Fiduciary Net Position			
Contributions - employer	$ 1,574,788	$ 846,834	$ 1,180,577
Expected investment income	297,375	296,861	345,663
Benefit payments	(940,706)	(846,834)	(838,883)
Administrative expense	(4,635)	(4,488)	(500)
Net change in plan fiduciary net position	926,822	292,373	686,857
Plan Fiduciary Net Position - Beginning	4,519,930	4,227,557	3,540,700
Plan Fiduciary Net Position - Ending (b)	$ 5,446,752	$ 4,519,930	$ 4,227,557
Net OPEB Liability - Ending (a) - (b)	$ 16,773,915	$ 19,441,790	$ 13,835,313
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.51%	18.86%	23.40%
Covered Employee Payroll	$ 72,409,271	N/A[1]	N/A[1]
Net OPEB Liability as a Percentage of Covered Employee Payroll	23.17%	N/A[1]	N/A[1]
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2023	2022	2021	2020
Actuarially determined contribution	N/A[1]	N/A[1]	$ 2,211,317	$ 2,415,840
Contribution in relation to the actuarially determined contribution	N/A[1]	N/A[1]	(3,290,669)	(1,574,788)
Contribution deficiency (excess)	N/A[1]	N/A[1]	$ 5,501,986	$ 3,990,628
Covered payroll	N/A[1]	N/A[1]	$ 59,568,992	$ 57,833,973
Contributions as a percentage of covered payroll	N/A[1]	N/A[1]	5.52%	2.72%

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

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

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

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

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.1099%	0.1216%	0.1368%
Proportionate share of the net OPEB liability	$ 362,148	$ 485,196	$ 579,566
Covered payroll	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]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

[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.

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1374%	0.1341%	0.1335%
Proportionate share of the net OPEB liability	$ 511,595	$ 513,335	$ 561,500
Covered payroll	N/A[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]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[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.

	2023	2022	2021	2020	2019
CalSTRS					
Proportion of the net pension liability	0.0733%	0.0809%	0.0785%	0.0777%	0.0750%
Proportionate share of the net pension liability	$ 50,900,646	$ 36,827,645	$ 76,060,613	$ 70,446,480	$ 68,930,250
State's proportionate share of the net pension liability associated with the District	25,490,844	18,520,243	39,209,255	38,264,992	39,317,337
Total	$ 76,391,490	$ 55,347,888	$115,269,868	$108,711,472	$108,247,587
Covered payroll	$ 46,105,213	$ 46,198,310	$ 45,506,865	$ 43,904,504	$ 41,966,316
Proportionate share of the net pension liability as a percentage of its covered payroll	110.40%	79.72%	167.14%	160.45%	164.25%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS					
Proportion of the net pension liability	0.2133%	0.2170%	0.1983%	0.2016%	0.2000%
Proportionate share of the net pension liability	$ 73,381,156	$ 44,117,988	$ 60,840,954	$ 58,764,137	$ 53,342,294
Covered payroll	$ 32,741,414	$ 31,243,377	$ 28,879,071	$ 28,504,767	$ 26,109,642
Proportionate share of the net pension liability as a percentage of its covered payroll	224.12%	141.21%	210.67%	206.16%	204.30%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

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

	2023	2022	2021	2020	2019
CalSTRS					
Contractually required contribution	$ 10,912,562	$ 7,801,002	$ 7,461,027	$ 7,766,966	$ 7,178,963
Contributions in relation to the contractually required contribution	(10,912,562)	(7,801,002)	(7,461,027)	(7,766,966)	(7,178,963)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 57,133,832	$ 46,105,213	$ 46,198,310	$ 45,506,865	$ 43,904,504
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%
CalPERS					
Contractually required contribution	$ 10,357,700	$ 7,501,058	$ 6,467,379	$ 5,650,990	$ 5,119,561
Contributions in relation to the contractually required contribution	(10,357,700)	(7,501,058)	(6,467,379)	(5,650,990)	(5,119,561)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 40,826,567	$ 32,741,414	$ 31,243,377	$ 28,879,071	$ 28,504,767
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.062%

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

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

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

Note 1 - Purpose of Schedules

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuation.
- *Changes in Assumptions* – The discount rate was changed from 3.37% to 5.30% and a change in healthcare cost trend rate from 7.00% to 6.50% since the previous valuation.

Schedule of Contributions for OPEB

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

Schedule of OPEB Investment Returns

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

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% 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. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2023

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, 2023

Member	Office	Term Expires
Roberto Alcantar	President	2024
Don Dumas	Vice President	2026
Griselda A. Delgado	Member	2024
Robert Moreno	Member	2026
Corina Soto	Member	2026

Administration as of June 30, 2023

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

Auxiliary Organizations in Good Standing

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$ 28,647,573	$ -
Federal Pell Grant Program Administrative Allowance	84.063		78,336	-
Federal Direct Student Loans	84.268		5,351,412	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		613,202	-
Federal Work-Study Program	84.033		247,047	-
Federal Work-Study Program Administrative Allowance	84.033		25,000	-
Subtotal Student Financial Assistance Cluster			34,962,570	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		821,839	-
Child Care Access Means Parents in School (CCAMPIS)	84.335A		123,947	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	22-C01-090	703,242	-
Passed through State of California Department of Rehabilitation				
State Vocational Rehabilitation Program	84.126A	31152	204,271	-
Title V: Hispanic-Serving Institutions	84.031S		346,137	-
Passed through San Diego State University Research Foundation				
Developing Effective Bilingual Educators with Resources	84.031S	SA0000701	35,373	-
Subtotal			381,510	
Total U.S. Department of Education			37,197,379	-
U.S. Department of the Treasury				
Passed through California Community Colleges Chancellor's Office				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	1,116,517	-
Passed through San Diego Foundation				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	10296.21	4,075,000	4,075,000
Subtotal			5,191,517	4,075,000
Total U.S. Department of the Treasury			5,191,517	4,075,000
U.S. Department of Veterans Affairs				
Post-9/11 Veterans Educational Assistance	64.027		3,029	
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]	81,125	-

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Nunber	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Defense				
Procurement Technical Assistance (DLA)	12.002		$ 534,977	$ -
Research and Development Cluster				
National Science Foundation				
Mentored Pathways from Community College to Graduate School and Chemistry Careers	47.076		810,941	-
Math Persistence Inquiry and Equity	47.076		97,655	-
Drone Technology	47.076		99,982	
SWC Empower Scholarship	47.076		48,921	-
Passed through Jeffereson Community College and Technical College				
Geopatial Technology Center of Excellence: "Growing the Workforce"	47.076	DUE-1700496	26,634	-
Passed through Arizona State University				
NSF INCLUDES Alliance: ALRISE	47.076	ASUB00000917	42,657	
Passed through the Pennslyvania State University				
Microelectronics & Nanomanufacturing for Veterans Consortium	47.076	S003223-NSF	12,179	-
Subtotal Research and Development Cluster			1,138,969	
U.S. Department of Housing and Urban Development				
Passed through City of San Diego				
Community Development Block Grant	14.218	CED-FY22-009-01	342,551	-
U.S. Department of Agriculture				
Passed through Foundation for California Community Colleges				
Fresh Success	10.561	00005056	64,898	-
Small Business Administration				
Small Business Administration	59.037		1,414,833	909,925
COVID-19: Small Business Administration	59.037		663	-
Subtotal			1,415,496	909,925
Women's Business Center	59.043		200,110	-
COVID-19: Women's Business Center	59.043		412	-
Subtotal			200,522	-
Subtotal Small Business Administration			1,616,018	909,925
U.S. Department of Commerce				
Build to Scale Program	11.024		118,403	
Connecting Minority Communities Pilot Program	11.028		749,041	
Total U.S. Department of Commerce			867,444	
Total Federal Financial Assistance			$ 47,037,907	$ 4,984,925

Program	Program Revenues: Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	Program Expenditures
E.O.P.S.	$ 4,054,714	$ -	$ -	$ 4,054,714	$ 4,054,714
C.A.R.E.	586,921	-	303,049	283,872	283,872
D.S.P.S.	2,352,152	-	307,623	2,044,529	2,044,529
CALWORKs	625,791	-	42,045	583,746	583,746
Instructional Equipment and Library	3,311,765	-	1,077,706	2,234,059	2,036,225
NextUp Program	1,158,004	-	885,479	272,525	272,525
Retention and Enrollment Outreach	2,574,796	(566,053)	1,940,564	68,179	68,179
Nursing Education	224,408	-	28,495	195,913	195,913
Guided Pathways Project	944,074	-	692,764	251,310	251,310
Equal Employment Opportunity	215,205	-	105,690	109,515	109,515
Strong Workforce Program	4,538,474	187,616	2,585,884	2,140,206	2,140,206
SFAA	755,718	-	143,929	611,789	611,789
Financial Aid Technology	170,171	-	105,112	65,059	65,059
Veteran Resource Center	980,603	-	684,867	295,736	295,736
Classified Professional Development	52,973	-	21,946	31,027	31,027
California College Promise	2,320,396	-	1,498,589	821,807	821,807
Mental Health Services	679,004	-	444,802	234,202	234,202
Student Equity and Achievement	5,824,371	-	960,189	4,864,182	4,864,182
Basic Needs	1,398,444	-	618,915	779,529	779,529
Go-Biz	1,257,393	1,413,281	788,635	1,882,039	1,882,039
Student Success Completion	11,277,021	-	4,420,445	6,856,576	6,856,576
LGBTQ	115,225	-	88,021	27,204	27,204
CBE Collaborative	65,049	81,358	-	146,407	146,407
Physical Plant and Instruction	453,578	-	29,926	423,652	423,652
MESA 2020-2022 Award	531,062	-	332,516	198,546	198,546
Technical Assistance Expansion program	3,069,747	1,155,475	1,191,475	3,033,747	3,033,747
CAEP FY22.23	390,725	284,733	-	675,458	675,458
SWF Job Placement Case Mgmt	54,490	2,201	-	56,691	56,691
Social Work	5,995	-	4,469	1,526	1,526

Program	Program Revenues Cash Received	Accounts Receivable (Payable)	Unearned Revenue	Total Revenue	Program Expenditures
College-Based Marketing 2021	$ 60,000	$ -	$ 9,395	$ 50,605	$ 50,605
Zero Textbook Cost Grant Program	200,000	3,388	180,000	23,388	23,388
Rising Scholars Network- RJ	204,069	-	141,841	62,228	62,228
SBDC - Sierra Health	453,321	-	257,193	196,128	196,128
COSD Microbusiness Reli	1,115,910	-	972,077	143,833	143,833
CITC Grant G0227	312,000	-	23,580	288,420	288,420
CCSWG	55,000	-	4,827	50,173	50,173
CLPCCD Microgrant	2,075,000	1,159,982	-	3,234,982	3,234,982
CalOSBA - WBCEP	-	537,889	-	537,889	537,889
Boating Waterways Grant	33,972	-	22,205	11,767	11,767
Employee Equity & Inclusion	208,333	-	45,126	163,207	163,207
Professional Development	50,435	-	-	50,435	50,435
Systemwide Technology and Data Security	250,000	-	205,849	44,151	44,151
Physical Plant & Insturctional Support	12,181,794	(6,858,293)	856,147	4,467,354	4,467,354
COVID-19 Recovery Block Grant	8,856,883	-	6,769,302	2,087,581	2,087,581
Student Housing (Planning)	618,000	-	385,695	232,305	232,305
Student Rapid Rehousing	-	7,939	-	7,939	7,939
PRT Grant: Innov & Effect Plan	200,000	-	152,331	47,669	47,669
Undocumented Resources Liaisons	126,977	-	-	126,977	126,977
Umoja Comm Ed Foundation Grant	29,077	-	-	29,077	29,077
Total state programs	$ 77,019,040	$ (2,590,484)	$ 29,328,703	$ 45,099,853	$ 44,902,019

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit*	20.91	-	20.91
2. Credit	1,304.39	-	1,304.39
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,681.04	-	5,681.04
(b) Daily Census Contact Hours	566.60	-	566.60
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	210.66	-	210.66
(b) Credit	569.13	-	569.13
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	3,557.45	-	3,557.45
(b) Daily Census Procedure Courses	1,961.82	-	1,961.82
(c) Noncredit Independent Study/Distance Education Courses	6.86	-	6.86
D. Total FTES	13,878.86	-	13,878.86
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	1.62	-	1.62
2. Credit	118.64	-	118.64
CCFS-320 Addendum			
CDCP Noncredit FTES	34.27	-	34.27
Centers FTES			
1. Noncredit*	-	-	-
2. Credit	3,868.86	-	3,868.86

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

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 23,695,925	$ -	$ 23,695,925	$ 23,695,925	$ -	$ 23,695,925
Other	1300	19,476,752	-	19,476,752	19,481,473	-	19,481,473
Total Instructional Salaries		43,172,677	-	43,172,677	43,177,398	-	43,177,398
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,843,958	-	11,843,958
Other	1400	-	-	-	-	-	-
Total Noninstructional Salaries		-	-	-	11,843,958	-	11,843,958
Total Academic Salaries		43,172,677	-	43,172,677	55,021,356	-	55,021,356
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	21,601,712	-	21,601,712
Other	2300	-	-	-	2,602,502	-	2,602,502
Total Noninstructional Salaries		-	-	-	24,204,214	-	24,204,214
Instructional Aides							
Regular Status	2200	2,951,252	-	2,951,252	2,951,252	-	2,951,252
Other	2400	1,283,414	-	1,283,414	1,460,315	-	1,460,315
Total Instructional Aides		4,234,666	-	4,234,666	4,411,567	-	4,411,567
Total Classified Salaries		4,234,666	-	4,234,666	28,615,781	-	28,615,781
Employee Benefits	3000	16,965,123	-	16,965,123	31,616,087	-	31,616,087
Supplies and Material	4000	-	-	-	153,062	-	153,062
Other Operating Expenses	5000	723,775	-	723,775	13,358,252	-	13,358,252
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		65,096,241	-	65,096,241	128,764,538	-	128,764,538

		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
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 1,631,476	$ -	$ 1,631,476	$ 2,815,519	$ -	$ 2,815,519
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	494,993	-	494,993
Objects to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		1,631,476	-	1,631,476	3,310,512	-	3,310,512
Total for ECS 84362, 50% Law		$ 63,464,765	$ -	$ 63,464,765	$ 125,454,026	$ -	$ 125,454,026
% of CEE (Instructional Salary Cost/Total CEE)		50.59%		50.59%	100.00%		100.00%
50% of Current Expense of Education					$ 62,727,013		$ 62,727,013

See Notes to Supplementary Information

Activity Classification	Object Code			Unrestricted	
EPA Revenues:	8630				$ 7,434,931
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 7,434,931	$ -	$ -	$ 7,434,931
Total Expenditures for EPA		$ 7,434,931	$ -	$ -	$ 7,434,931
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance and retained earnings		
General Funds	$ 18,600,563	
Special Revenue Funds	2,253,219	
Capital Project Funds	275,128,091	
Debt Service Funds	44,223,783	
Proprietary Funds	3,073,924	
Internal Service Funds	(13,176)	
Fiduciary Funds	8,939,340	
Total fund balance and retained earnings - all District funds		$ 352,205,744
Amounts held in trust on behalf of others (OPEB Trust)		(8,939,340)
The District's investment in the San Diego County treasury investment pool is reported at fair value in the Statement of Net Position.		(1,206,213)
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	695,886,938	
Accumulated depreciation is	(153,247,845)	
Total capital assets, net		542,639,093
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	26,128,137	
Deferred outflows of resources related to OPEB	9,152,563	
Deferred outflows of resources related to pensions	42,201,182	
Total deferred outflows of resources		77,481,882
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(10,345,841)

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	$ (815,894,272)	
Lease revenue bonds	(261,920)	
Compensated absences	(3,929,100)	
Load banking	(1,537,523)	
Supplemental employee retirement plan	(5,330,024)	
Aggregate net other postemployment benefits (OPEB) liability	(13,087,729)	
Aggregate net pension liability	(124,281,802)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(34,291,146)	
Total long-term liabilities		$ (998,613,516)
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to debt refunding	(331,579)	
Deferred inflows of resources related to OPEB	(9,898,153)	
Deferred inflows of resources related to pensions	(15,117,799)	
Total deferred inflows of resources		(25,347,531)
Total net position (deficit)		$ (72,125,722)

Note 1 - Purpose of Schedules

District Organization

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

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

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

Schedule of Expenditures of State Awards

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

Independent Auditor's Reports
June 30, 2023

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 the remaining fund information of the Southwestern Community College District (the District) as of and for the year ended June 30, 2023, 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 19, 2023.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 19, 2023

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

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Southwestern Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Small Business Administration (SBA)

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, 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 Small Business Administration for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Southwestern Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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 qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Small Business Administration (SBA)

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Assistance Listing Number 59.037 Small Business Administration (SBA) as described in finding number 2023-001 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over compliance. Accordingly, no such opinion is expressed.

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

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. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 2023-001 to be a material weakness.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 19, 2023

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited Southwestern Community College District's (the District) compliance with the types of compliance requirements described in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2023.

Opinion

In our opinion, the Southwestern Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted in the table below that were audited for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the standards and procedures identified in the 2022-2023 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 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 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

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

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

Compliance Requirements Tested

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

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 494	State Fiscal Recovery Fund
Section 499	COVID-19 Response Block Grant Expenditures

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

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

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

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2022-2023 California Community Colleges Chancellor's *Office Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 19, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

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	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Qualified

Unmodified for all major programs except for the following program which was qualified

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
Small Business Administration	59.037

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
Student Financial Assistance Cluster	84.063, 84.268, 84.007, 84.033
Small Business Administration	59.037
COVID-19: Small Business Administration	59.037
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F

Dollar threshold used to distinguish between type A and type B programs	$1,411,137
Auditee qualified as low-risk auditee?	No

State Compliance

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

None reported.

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

2023-001 **Reporting**

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

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

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

Questioned Costs
There are no questioned costs associated with this finding.

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

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

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

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

Repeat Finding (Yes or No)
No.

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

Views of Responsible Officials and Corrective Action Plan
Management concurs and will implement internal controls to ensure subaward information in accordance with the FFATA requirements. As of December 8, 2023, the District has submitted the required subaward information for past subawards. Going forward, the District will implement internal controls to ensure subaward information is submitted within the timeframe specified in the FFATA requirements.

None reported.

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

Financial Statement Findings

2022-001 Financial Reporting and Closing Process

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

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

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

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

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

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

Repeat Finding: (Yes or No)
Yes. See schedule of prior audit findings 2021-001.

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

Current Status
Implemented.