



Monday, January 29, 2024

Public Financing Authority Meeting

Board Room, 1130 Fifth Avenue, Chula Vista, CA **Members of the public may attend the meeting in person and address the board, and may view the meeting online at <https://www.youtube.com/user/suhsdk12>

Administration Center

3:55 PM

A. Opening Procedures

1. Call to Order (Meeting Notice)
2. Roll Call

B. Public Communication

1. Public Communication on Posted Items - The public can attend the meeting in-person and address the board on items posted for the Public Financing Authority Meeting by completing a Request for Oral Communication at the meeting.

C. Action/Discussion Items

1. * Ratify members of the Sweetwater Union High School District ("School District") Board of Trustees serving as the members of the Board of Directors ("Authority Board") of the Sweetwater Union High School District Public Financing Authority ("Authority").
2. * Elect/ratify the following to the Board of Directors of the Sweetwater Union High School District Public Financing Authority:

Chairperson – [President, Board of Trustees]

Vice Chairperson – [Vice-President, Board of Trustees]

Secretary – [Clerk of the Board]

Executive Director – [Superintendent]

Treasurer – [Chief Financial Officer]

3. * Approve minutes of the January 23, 2023, Sweetwater Union High School District Public Financing Authority Meeting.
4. * Accept the 2022-2023 audit of various Sweetwater Union High School District ("District") funds and accounts for the 2022-2023 fiscal year, and accept District responses to audit findings and recommendations.

D. Adjournment

1. Adjournment



January 29, 2024

Board Item - A.-1.

ATTACHMENTS:

Description

Meeting Notice

Type

Backup Material

**SWEETWATER UNION HIGH SCHOOL DISTRICT
PUBLIC FINANCING AUTHORITY**

NOTICE OF SPECIAL MEETING

Written notice is hereby given in accordance with Education Code Section 35144 and Government Code Section 54956 that the following special meeting of the Board of Directors of the Sweetwater Union High School District Public Financing Authority will be held and in accordance with Government Code Section 54954.3(a), the board of directors will provide an opportunity for members of the public to directly address the legislative body concerning any item that has been described in the notice for the meeting before or during consideration of that item.

DATE: Monday, January 29, 2024
TIME: 3:55 p.m.
PLACE: Administration Center/Board Room
1130 Fifth Avenue
Chula Vista, CA 91911

Members of the public may attend the meeting in-person to address the board, or may view the meeting online at <https://www.youtube.com/user/suhsdk12>

Items to be considered are noted on the reverse side of this page.

Board of Directors

*Adrian Arancibia
Marti Emerald
Elva Lopez-Zepeda
Nicholas Segura
Arturo Solis*

Superintendent

Moisés G. Aguirre, Ed.D.

COMPLIANCE WITH AMERICANS WITH DISABILITIES ACT

Sweetwater Union High School District Financing Corporation, in complying with the Americans With Disabilities Act (ADA), and California Government Code Section 54953.2, provides special accommodations to individuals who may need assistance with access, attendance and/or participation in board meetings, including alternative formats for agendas, documents constituting agenda packets, and materials distributed during public meetings. Upon written request to the district, disability-related modifications or accommodations, including auxiliary aids or services, will be provided. Contact Deanne Vicedo, clerk of the board, at (619) 585-4405 for specific information on existing resources or programs that may be available for such accommodations. Please call at least 48 hours in advance of meetings and five days in advance of scheduled services and activities. Translation and Hearing-Impaired services are also available.

Items to be considered by the
Sweetwater Union High School District
Public Financing Authority

January 29, 2024

- C-1.* Ratify members of the Sweetwater Union High School District ("School District") Board of Trustees serving as the members of the Board of Directors ("Authority Board") of the Sweetwater Union High School District Public Financing Authority ("Authority").
- C-2.* Elect/ratify the following to the Board of Directors of the Sweetwater Union High School District Public Financing Authority:
- Chairperson - [President, Board of Trustees]
- Vice Chairperson - [Vice-President, Board of Trustees]
- Secretary - [Clerk of the Board]
- Executive Director - [Superintendent]
- Treasurer - [Chief Financial Officer]
- C-3.* Approve minutes of the January 23, 2023, Sweetwater Union High School District Public Financing Authority Meeting.
- C-4.* Accept the 2022-2023 audit of various Sweetwater Union High School District ("District") funds and accounts for the 2022-2023 fiscal year, and accept District responses to audit findings and recommendations.



January 29, 2024

Board Item - C.-1.

Issue:

Ratification of the current members of the board of trustees serving as the members of the Board of Directors of the Public Financing Authority.

Executive Officer's Recommendation:

* Ratify members of the Sweetwater Union High School District ("School District") Board of Trustees serving as the members of the Board of Directors ("Authority Board") of the Sweetwater Union High School District Public Financing Authority ("Authority").

Analysis:

Background:

The Sweetwater Union High School District Public Financing Authority (Authority) is a joint exercise of powers authority organized under a Joint Exercise of Powers Agreement dated December 13, 2004, entered into between the Sweetwater Union High School District (School District) and Community Facilities District No. 1 of the School District (CFD No. 1). Under state law, the Authority is authorized to incur indebtedness for the purpose of assisting the School District, and community facilities districts (CFDs) of the School District, in financing and refinancing public school facilities, facilities projects and other financial obligations of the School District and/or the CFDs.

The Authority assists the School District by "pooling" together two or more series of bonds or securities into a single bond issuance that can be sold into the market by the Authority. This takes place under the provisions of the Marks-Roos Pooling Act which is set out in the California Government Code. This allows the School District, and/or CFD securities to be aggregated together in order to save issuance costs.

The Authority, and Authority Board, must undertake various actions, from time to time, to maintain the Authority's operational status and standing as a joint powers agency.

Current:

At this time, the current members of the board of trustees will be confirmed as members of the Board of Directors of the Authority.

For questions regarding this board item, please contact Dr. Jenny Salkeld at (619) 691-5550 or jenny.salkeld@sweetwaterschools.org.

Fiscal Impact:

None.



January 29, 2024

Board Item - C.-2.

Issue:

Election/ratification of Authority Officers.

Executive Officer's Recommendation:

* Elect/ratify the following to the Board of Directors of the Sweetwater Union High School District Public Financing Authority:

Chairperson – [President, Board of Trustees]

Vice Chairperson – [Vice-President, Board of Trustees]

Secretary – [Clerk of the Board]

Executive Director – [Superintendent]

Treasurer – [Chief Financial Officer]

Analysis:

The Sweetwater Union High School District Public Financing Authority ("Authority") is a joint exercise of powers authority organized under a Joint Exercise of Powers Agreement ("Agreement") dated December 13, 2004, entered into between the Sweetwater Union High School District ("School District") and Community Facilities District No. 1 of the School District (CFD No. 1). The Agreement provides for certain officers of the Authority to be elected from time to time.

Under state law, the Authority is authorized to incur indebtedness for the purpose of assisting the School District in financing and refinancing public school facilities and other financial obligations of the School District.

The Authority assists the School District in "pooling" several series of bonds or securities into a single bond issuance that can be sold into the market. This takes place under the provisions of the Marks-Roos Pooling Act which is in the California Government Code. This allows the school district securities to be aggregate in order to save costs.

The members of the Sweetwater Union High School District School Board serve as the Board of Directors for the Authority.

For questions regarding this board item, please contact Dr. Jenny Salkeld at (619) 691-5550 or jenny.salkeld@sweetwaterschools.org.

Fiscal Impact:

None.



January 29, 2024

Board Item - C.-3.

Issue:

Meeting Minutes.

Executive Officer's Recommendation:

* Approve minutes of the January 23, 2023, Sweetwater Union High School District Public Financing Authority Meeting.

Analysis:

The minutes for all meetings of the Public Financing Authority must be approved by the Public Financing Authority Board of Directors.

For questions regarding this board item, please contact Dr. Jenny Salkeld at (619) 691-5550 or jenny.salkeld@sweetwaterschools.org.

Fiscal Impact:

None.

ATTACHMENTS:

Description	Type
□ January 23, 2023 Meeting Minutes	Backup Material

SWEETWATER PUBLIC FINANCING AUTHORITY
SWEETWATER UNION HIGH SCHOOL DISTRICT
BOARD OF TRUSTEES
UNADOPTED MINUTES

3:55 p.m.

January 23, 2023

Board: Adrian Arancibia	•Marti Emerald	•Elva Lopez-Zepeda	•Nicholas Segura	•Arturo Solis
Superintendent: Moises G. Aguirre		Student Board Representative: Lila Careaga		

Order of Business

**This board meeting was held as a hybrid in-person and videoconference meeting pursuant to Assembly Bill 361, signed by CA Governor Gavin Newsom. The meeting was live streamed and audio recorded.

A. OPENING PROCEDURES

1. Call to Order

President Solis called the special meeting of the Sweetwater Public Financing Authority Board of Directors to order at 3:57 p.m.

2. Roll Call

Board members present were Adrian Arancibia, Elva Lopez-Zepeda, Nicholas Segura, and Arturo Solis. Marti Emerald was absent. Also present were Moises G. Aguirre, superintendent, and Deanne Vicedo, clerk of the board.

B. PUBLIC COMMUNICATION

None.

C. ACTION/DISCUSSION ITEMS

- *C-1. Ratify members of the Sweetwater Union High School District ("School District") Board of Trustees serving as the members of the Board of Directors ("Authority Board") of the Sweetwater Union High School District Public Financing Authority ("Authority").

Moved by Arancibia, seconded by Solis, with a vote of Arancibia Yes; Emerald Absent; Lopez-Zepeda Yes; Segura Yes; Solis Yes.

- *C-2. Elect/ratify the following to the Board of Directors of the Sweetwater Union High School District Public Financing Authority:

Chairperson - [President, Board of Trustees]

Vice Chairperson - [Vice-President, Board of Trustees]

(Action/Discussion Items cont.) (Board Agenda Item *C-2 cont.)

Secretary - [Clerk of the Board]
Executive Director - [Superintendent]
Treasurer - [Chief Financial Officer]

Moved by Arancibia, seconded by Solis, to elect the following officers: Nicholas Segura as chairperson, Adrian Arancibia as vice chairperson, Deanne Vicedo as secretary, Moises G. Aguirre as executive director, and Jenny Salkeld as treasurer, with a vote of Arancibia Yes; Emerald Absent; Lopez-Zepeda Yes; Segura Yes; Solis Yes.

- *C-3. Approve minutes of the January 10, 2022, and September 12, 2022, Sweetwater Union High School District Public Financing Authority Meetings.

Moved by Arancibia, seconded by Solis, with a vote of Arancibia Yes; Emerald Absent; Lopez-Zepeda Yes; Segura Yes; Solis Yes.

- *C-4. Accept the 2021-2022 audit of various Sweetwater Union High School District ("District") funds and accounts for the 2021-2022 fiscal year, and accept District responses to audit findings and recommendations.

Moved by Solis, seconded by Arancibia, with a vote of Arancibia Yes; Emerald Absent; Lopez-Zepeda Yes; Segura Yes; Solis Yes.

- *C-5. Adopt Resolution No. 4825, of the Board of Directors of the Sweetwater Union High School District Public Financing Authority Establishing the Regular Meeting Schedule for the Board of Directors.

Moved by Arancibia, seconded by Solis, with a vote of Arancibia Yes; Emerald Absent; Lopez-Zepeda Yes; Segura Yes; Solis Yes.

D. ADJOURNMENT

The special meeting of the Board of Directors of the Sweetwater Union High School District Public Financing Authority was adjourned at 3:59 p.m.



January 29, 2024

Board Item - C.-4.

Issue:

Acceptance of the 2022-2023 audit and responses to audit findings and recommendations.

Executive Officer's Recommendation:

* Accept the 2022-2023 audit of various Sweetwater Union High School District ("District") funds and accounts for the 2022-2023 fiscal year, and accept District responses to audit findings and recommendations.

Analysis:

The District's annual audit, including associated student body funds (ASBs), cafeteria funds, and funds relating to the provision or debt service on the Authority's outstanding bonds, and other funds under the control or jurisdiction of the District, has been completed and submitted by the firm of Crowe LLP, as required in accordance with Education Code Section 41020.

The auditor's summary of findings and recommendations are attached to this report along with the District's responses to these findings.

Background:

The Authority's financial activity is presented in the financial statements on pages 39 and 40 of the audit report. Special Tax Bonds issued by the Authority are included as long term obligation in the Long Term Obligations schedule. The Authority is required to audit funds and accounts relating to its bonds on an annual basis.

Copies of the annual audit have been filed with the State Controller's Office, and the California Department of Education, as required by law. Additional copies of this audit report are available in the office of the chief financial officer for public review.

For questions regarding this board item, please contact Dr. Jenny Salkeld at (619) 691-5550 or jenny.salkeld@sweetwaterschools.org.

Fiscal Impact:

None.

ATTACHMENTS:

Description

Type



2022-2023 Audit Report

Backup Material

SWEETWATER UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2023

SWEETWATER UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

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SWEETWATER UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023
(Continued)

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sweetwater Union High School District
Chula Vista, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweetwater Union High School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Sweetwater Union High School 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 governmental activities, each major fund, and the aggregate remaining fund information of Sweetwater Union High School District, as of June 30, 2023, and the respective changes in financial position 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 Sweetwater Union High School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweetwater Union High School 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.

(Continued)

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 Sweetwater Union High School 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 Sweetwater Union High School 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 to 15 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 59 to 65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sweetwater Union High School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 on our consideration of Sweetwater Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sweetwater Union High School 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 Sweetwater Union High School District's internal control over financial reporting and compliance.



Crowe LLP

Sacramento, California
December 6, 2023

Management's Discussion and Analysis

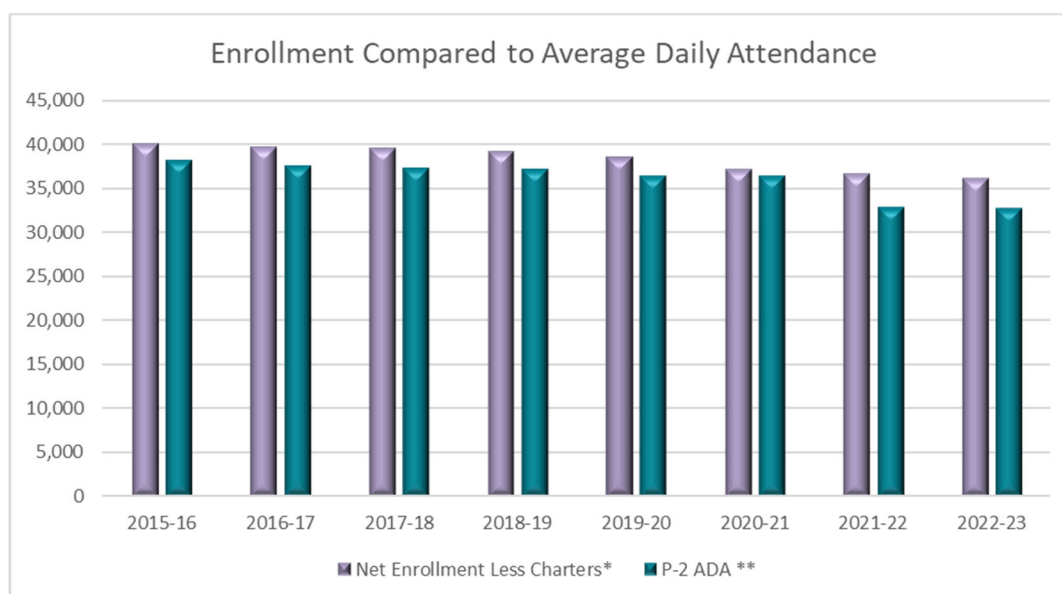
The Management's Discussion and Analysis (MD&A) Section of the audit report is District management's overall view of the District's financial condition and provides an opportunity to discuss important fiscal issues with the Board of Trustees and the public. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34. Certain comparative information is required to be presented in this document.

District Overview

The Sweetwater Union High School District (the "District") was established in 1920 and its current boundaries encompass approximately 153 square miles. The District is the second largest secondary school district in the State in terms of student enrollment. The District provides educational services to the residents in and around the cities of Chula Vista, Imperial Beach, National City, and San Diego. The District operates under the jurisdiction of the San Diego County Superintendent of Schools.

For fiscal year 2022-23, the District operated and provides education for grades 7 through 12 and is currently operating 12 comprehensive high schools, 1 continuation high school, 10 middle schools, 1 junior high school, 4 adult education programs, 4 alternative education schools and has authorized 2 independent charter schools.

The graph below demonstrates the District's year-over-year declining enrollment and average daily attendance (ADA) trend. The District is funded based on its ADA, which is tracked daily with staff. For 2022-23 the District averaged approximately 90.35% ADA.



*Enrollment is as of California Basic Educational Data System (CBEDS) date in October each year.

** P-2 ADA is collected as of the last full school month ending on or before April 15.

Governance

The District is governed by a Board of Trustees consisting of five members and one student member. The regular members are elected to staggered four-year terms every two years.

“Students First” Guiding Principle

The District is dedicated to putting students first by providing effective initial instruction that leads to engagement and mastery, access to challenging curricula, safe and healthy learning environments focusing on a positive transformational culture, transparent systems of support, and fostering parent and community involvement.

The 2022-23 student enrollment was 36,109. 62.32% of our students qualify as low income and 22.42% are identified as English Learners, and 635 of our students are Foster Youth or Homeless Youth. The Local Control and Accountability Plan (LCAP) is a direct reflection of the efforts to involve all our educational partners in a parallel process of continuous review, report, reach-out, and revise.

The District continues to provide 21st Century learning to all students in order to support their choices for college and career. Our academic programs offer a college and career preparation emphasis through rigorous, standards-based instruction, and relevant real-world learning. Through efforts with local universities and community colleges, the District provides varied pathways for students to attain entry into higher education institutions and/or career pathways. Many of our Career Technical Education (CTE) courses are articulated with the community colleges and or local universities. We offer a robust Advanced Placement program at all of our high schools and an International Baccalaureate program at Bonita Vista High School and Castle Park High School. These aforementioned programs provide students with the advantage to earn college credits while in high schools. Additionally, the District collaborated with local labor organizations to provide access to careers in the trades as part of our Project Labor Agreement.

In 2022-23, the District continued to implement actions and services to support students improve their opportunities. The District revisited the LCAP by reaching out to our educational partners including the District’s Parent Advisory Council, District-level English Learner Advisory Committee, Special Education Local Plan Area (SELPA), labor partners, and community through various meetings throughout the fiscal year. The District implemented several surveys to get an accurate understanding of the needs of students and families during the post- COVID-19 pandemic school year. The unique issues confronted by our students, staff, and community necessitated innovated approaches to instruction and student supports. The feedback received in these meetings and through the surveys was critical to the development and implementation of the 2022-23 LCAP. The majority of the actions and services remained the same; however, based on stakeholder input, the District added supports to increase student attendance/participation, minimize chronic absenteeism, increase student achievement, improve the opportunities for our English Learners and students with disabilities, as well as supporting the social-emotional needs of our students. Our students experiencing homelessness and Foster Youth were also supported with additional resources. A central office administrator led the team to ensure that our neediest

students received the educational, emotional, and physical supports to ensure their success. Through the LCAP, the District enhanced CTE course offerings and continued to fund librarian positions through the LCAP and Elementary and Secondary School Emergency Relief (ESSER) funding resources. Additional, community feedback emphasized the need to address career readiness for students. Actions and services to augment support in the areas of College and Career Technical Education and Attendance supports were added to the 2022-23 plan.

The District's LCAP Goals:

- LCAP Goal 1: Teaching and Learning
- LCAP Goal 2: Student Social Emotional Well-Being and Positive Transformational Culture
- LCAP Goal 3: Fostering Parent and Community Involvement
- LCAP Goal 4: Ensuring Excellence in Operational Systems of Support

The four LCAP goals and the subsequent actions and services provided our students with the resources and staff to continue to make academic and social-emotional gains during the 2022-2023 school year. The braiding of funding from the ESSER II, ESSER III, the Learning Recovery Grant, and the Arts, Music, and Instructional Materials Block Grant enhanced the District's ability to implement programs to engage students from before school hours to after school extracurricular programs.

Overview of the Financial Statements

This annual report consists of three parts: (1) management's discussion and analysis (this section); (2) the financial statements; and (3) required supplementary information.

The remainder of the MD&A highlights the structure and contents of each of the statements.

The financial statements include two kinds of statements that present different views of the District: district-wide financial statements and fund financial statements. The financial statements also include notes that explain some of the information in the statements and provide more detail.

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial position. The Statement of Net Position includes all of the District's assets and liabilities and deferred outflows and inflows of resources. All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, and administration. State support from Local Control Funding Formula (LCFF) and categorical apportionments finance most of these activities.

- Fiduciary activities – The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the Statement of Fiduciary Net Position. The activity is excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Financial Position

The Statement of Net Position is a district-wide financial statement that reports all that the District owns (assets) and owes (liabilities). District assets are displayed at book value including buildings, land and equipment, and related depreciation. Land is accounted for at purchase cost, not market value, and is not depreciated. Many of the school sites have low values because the district acquired the land many decades ago. School buildings are valued at their historical construction cost less depreciation.

The District's net position was \$543,870,612 at June 30, 2023, as reflected in the table below. Of this amount, \$(401,741,657) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that new position for day-to-day operations.

Our analysis below, in summary form, focuses on the net position and change in net position of the District's governmental activities.

Statement of Net Position

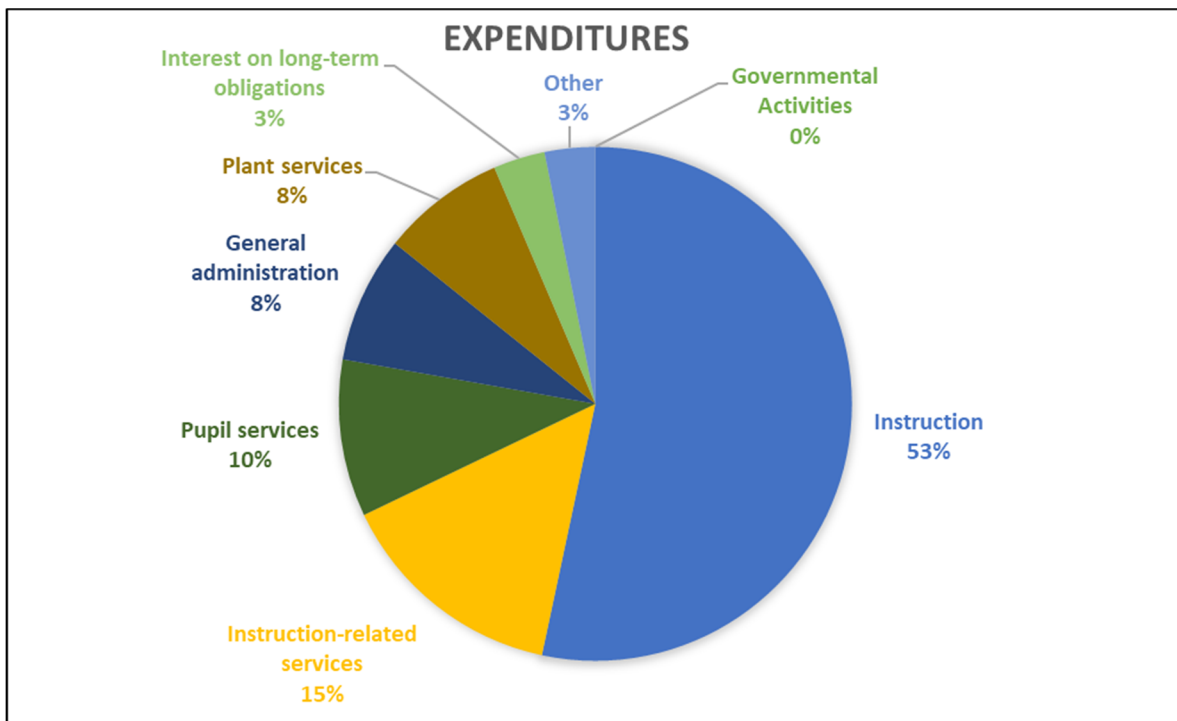
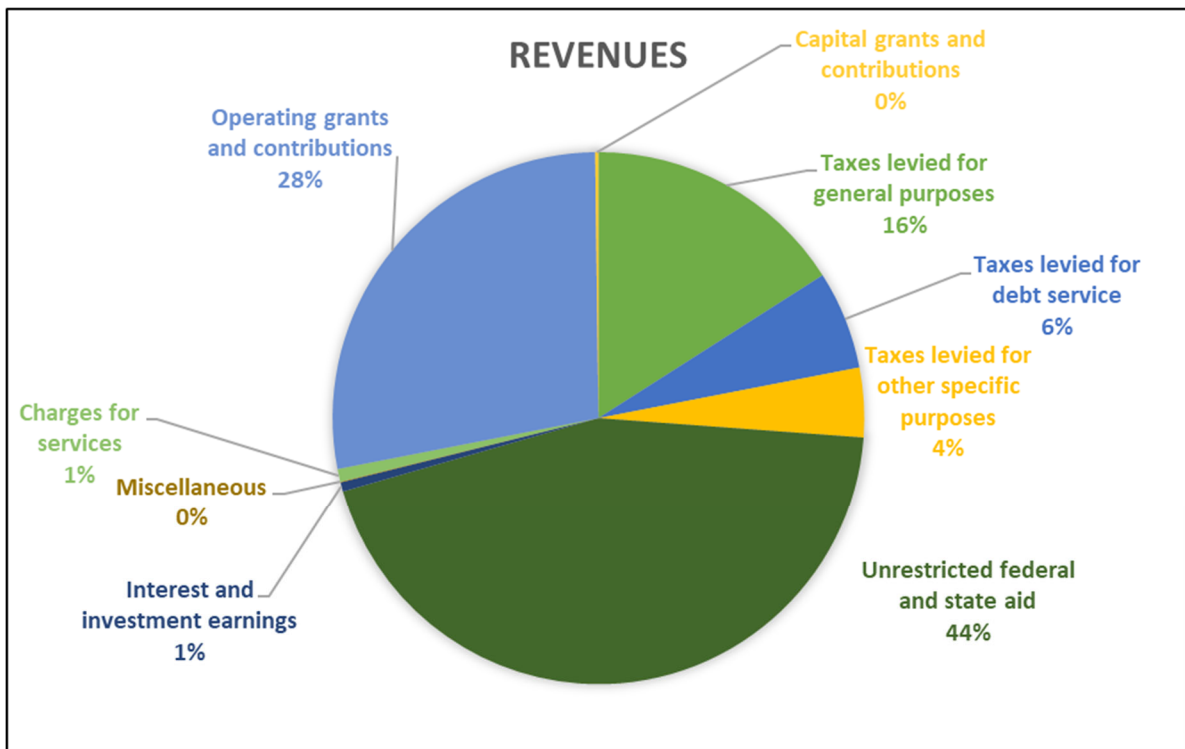
	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets	\$ 927,372,565	\$ 504,140,073
Capital assets	970,526,381	969,961,088
Total Assets	<u>1,897,898,946</u>	<u>1,474,101,161</u>
Deferred Outflows of Resources	<u>146,716,879</u>	<u>117,487,878</u>
Liabilities		
Current liabilities	101,561,908	52,308,755
Long-term obligations	865,077,759	655,897,986
Net pension liability	380,239,000	238,794,000
Total Liabilities	<u>1,346,878,667</u>	<u>947,000,741</u>
Deferred Inflows of Resources	<u>153,866,546</u>	<u>311,515,630</u>
Net Position		
Net investment in capital assets	754,490,891	718,588,888
Restricted	191,121,378	125,736,771
Unrestricted	(401,741,657)	(511,252,991)
Total Net Position	<u>\$ 543,870,612</u>	<u>\$ 333,072,668</u>

Net Pension Liability (NPL)

At year end, the District had a net pension liability of \$380,239,000 as a result of the implementation of GASB Statement No. 68.

Statement of Activities

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues:		
Charges for services	\$ 6,197,226	\$ 4,837,171
Operating grants and contributions	220,805,331	159,056,081
Capital grants and contributions	1,570,455	-
General revenues:		
Federal and State aid not restricted	351,771,860	311,494,993
Property Taxes	207,322,198	175,852,476
Other general revenues	4,817,961	(1,455,068)
Total Revenues	792,485,031	649,785,653
Expenses		
Instruction	309,949,267	272,577,663
Instruction-related services	84,500,168	74,625,110
Pupil services	57,452,520	51,117,830
General administration	46,277,883	33,816,566
Plant services	45,422,168	55,667,217
Interest on long-term obligations	18,922,158	19,644,020
Other	18,511,691	13,217,246
Total Expenses	581,035,855	520,665,652
Change in Net Position	\$ 211,449,176	\$ 129,120,001



Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds. A fund consists of a self-balancing set of accounts that the District uses to track specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as cafeteria funds) or to show that it is properly using certain revenues (such as community facility funds).

The District has two kinds of funds:

- Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary and Agency Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

General Fund Financial and Budgetary Highlights

The General Fund (Unrestricted and Restricted) accounts for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times to account for revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carryover amounts. Additionally, the District is required to prepare expenditure reports and must include multi-year projections at least twice a year. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2023:

	Adopted Budget June 27, 2022	Estimated Actuals June 26, 2023	Actuals September 11, 2023
Total Revenues	\$ 606,911,296	\$ 754,167,374	\$ 665,556,413
Total Expenditures	\$ 557,595,365	\$ 780,274,803	\$ 562,903,226
Total Other Sources/(Uses)	\$ 10,000	\$ 20,000	\$ 75,107
Net Change	\$ 49,325,931	\$ (26,087,429)	\$ 102,728,293

The net revenue increase between Adopted and Year-End Estimated Budget was \$147,256,078, due to current year budgets for categorical funds and one-time monies, which are budgeted as the grant award documents are received. Also, the budgets for prior year unspent restricted and unrestricted program funds (carryover) are appropriated in September after the Unaudited Actuals are approved by the Board of Trustees, such as carryover for Title I and Title II. The net increase to the total expenditure budget between Adopted and Year-End Estimated Budget was \$222,679,438, due to revisions to set up expenditures related to the carryover and grant funds described above, which are budgeted after July 1 as grant award documents are received and school site plans are approved.

District Reserves and Net Ending Balance

Revenues that have not been expended during a budget year are carried over for expenditure in the subsequent year and are identified as the District's "Net Ending Balance." Included within the projected net ending balance is a "reserve for economic uncertainties." The State requires per Education Code 42127 that school districts of our size retain an amount equal to 2% of our budgeted Total General Fund expenditures to cover unforeseen shortfalls in revenues or expenditures greater than budget. Also included in the net ending balance are carryover balances that originated from sources that can only be used for specific purposes. These "restricted" resources can only be spent on the purposes determined by the grantor, and the balances in these accounts carry the same restrictions as the originating revenue. The District also has the option of committing or assigning the ending balance. Committing funds requires the Board of Trustees to designate the funds for any purpose by a majority vote at a Board meeting. Once the funds are committed, the amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraints for the committed funds. Assigned ending balances are constrained by the District's intent, but are neither restricted nor committed. In addition to the State 2% reserve for economic uncertainties requirement, the board approved on June 27, 2022, Resolution 4621 a 3% contingency reserve was established to address instructional and operational needs.

The chart below represents the District's financial analysis of its Governmental and Fiduciary Funds

Ending Fund Balances	6/30/2023	6/30/2022	Difference
Fund 01 General	251,132,260	148,377,078	102,755,182
Fund 08 Student Activity Special Revenue	3,467,459	3,537,004	(69,545)
Fund 11 Adult Education	11,024,937	9,635,556	1,389,381
Fund 13 Cafeteria	14,640,539	8,921,369	5,719,170
Fund 14 Deferred Maintenance	3,210,314	161,021	3,049,293
Fund 21 Building	252,761,107	18,686,003	234,075,104
Fund 25 Capital Facilities	6,403,161	6,078,539	324,622
Fund 35 County School Facilities	30,096,156	29,597,216	498,940
Fund 40 Special Reserve for Capital Outlay	9,453,843	9,347,503	106,340
Fund 49 Capital Projects for Blended Component Units	206,026,985	197,365,472	8,661,513
Fund 51 Bond Interest and Redemption	44,104,081	26,649,713	17,454,368
Fund 73 Fiduciary	434,515	433,417	1,098

CAPITAL ASSET AND DISTRICT INDEBTEDNESS

Capital Projects

At June 30, 2023 , the District had \$970,526,381 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$565,293 from last year.

	Governmental Activities	
	2023	2022
Land and construction in progress	\$ 192,336,025	\$ 207,927,557
Buildings and Improvements	770,788,593	756,634,867
Furniture and Equipment	4,862,929	5,398,664
Other Assets	2,538,834	-
Total	\$ 970,526,381	\$ 969,961,088

This year's activity as referenced in Note 5 include several completed in progress construction projects for modernization and site improvements and the acquisition of vehicles and equipment. The District will use general obligation bond proceeds, Community Facilities District (CFD) special taxes, redevelopment funds and developer fees (Statutory Level I fees) for construction and modernization of existing school facilities.

District Indebtedness

At the end of this year, the District had \$864,426,527 in long-term obligations versus \$655,897,986 last year.

	Governmental Activities	
	2023	2022
General obligation bonds (including accreted interest and premium)	\$ 655,285,672	\$ 414,405,236
Certificates of participation (including premium)	20,222,633	22,784,437
Special tax revenue bonds (including premium)	27,766,929	34,804,315
Lease revenue bonds	-	28,000,000
Qualified zone academy bonds	770,000	1,140,000
Lease Liabilities	206,093	677,635
Compensated absences	8,965,184	8,987,262
Subscription Liabilities	988,324	-
Net other postemployment benefits (OPEB) liability	150,221,692	145,099,101
Total	\$ 864,426,527	\$ 655,897,986

The state limits the amount of general obligation debt that districts can issue based on the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt is below this statutorily imposed limit.

Other obligations include certificates of participation, qualified zone academy bonds, lease revenue bonds, compensated absences payable, capital leases, early retirement incentive, and net other postemployment benefits liability. We present more detailed information regarding our long-term obligations in Note 6 of the financial statements.

Financial Outlook

The District's fiscal recovery efforts over the last few years assisted in the stabilization and restoration of the financial position and related reserves. The District took a number of actions to enhance its processes, controls, and governance. The District made improvements to its budgeting, financial and debt reporting practices, including its response to reductions in State funding. The District has established and implemented comprehensive written policies and procedures, and periodic training, regarding securities laws and continuing disclosure obligations for the Board and senior staff. The Board receives periodic budget updates and has also adopted several reserve policies, as follows: (i) for the General Fund, 2% of annual operating expenditures (State minimum) and in addition, a 3% contingency reserve; (ii) for the Adult Education Fund, 2% of annual operating expenditures; and (iii) for the Cafeteria Fund, 2% of annual operating expenditures. For Fiscal Year 2022-23, the District self-certified both its first and second interim financial statements with a "positive certification" and, after review of the District's respective interim financial reports, the San Diego County Office of Education concurred with both positive certifications. A positive certification indicates that, based on current projections, the District will meet its financial obligations for the current fiscal year and two subsequent fiscal years.

Multi-year budget projections continue to be evaluated and revised upon updates from the Governor and State Department of Finance. Similar to other districts in the State of California, the District faces challenges with declining student enrollment, average daily attendance percentages, and unduplicated student group percentages all of which impact on the overall financial operations. These are all key variables for the basis of State, Federal, and Local revenues. There are also cost pressures that are impacting the out year financial projections specifically in the areas of employer pension costs and increased contributions from the Unrestricted General Fund to meet student needs in the Special Education program and facilities requirements with the Routine Restricted Maintenance program.

BASIC FINANCIAL STATEMENTS

SWEETWATER UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	Governmental <u>Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 873,993,673
Receivables	47,579,379
Leases receivable (Note 4)	550,931
Prepaid expenses	4,079,686
Stores inventory	772,001
Other current assets	396,895
Non-depreciable capital assets (Note 5)	192,336,025
Depreciable capital assets, net of accumulated depreciation and amortization (Note 5)	<u>778,190,356</u>
Total assets	<u>1,897,898,946</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 9 and 10)	118,174,499
Deferred outflows of resources - OPEB (Note 7)	13,767,184
Deferred loss from refunding of debt	<u>14,775,196</u>
Total deferred outflows of resources	<u>146,716,879</u>
LIABILITIES	
Accounts payable	86,463,210
Unearned revenue	15,098,698
Long-term liabilities (Note 6):	
Due within one year	38,527,826
Due after one year	<u>1,206,788,933</u>
Total liabilities	<u>1,346,878,667</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 9 and 10)	101,352,000
Deferred inflows of resources - OPEB (Note 7)	51,970,652
Deferred inflows of resources - leases (Note 4)	<u>543,894</u>
Total deferred inflows of resources	<u>153,866,546</u>
NET POSITION	
Net investment in capital assets	754,490,891
Restricted:	
Legally restricted programs	101,064,137
Capital projects	45,953,160
Debt service	44,104,081
Unrestricted	<u>(401,741,657)</u>
Total net position	<u>\$ 543,870,612</u>

See accompanying notes to financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenues and Change in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 309,949,267	\$ 1,157,664	\$ 103,625,979	\$ 1,570,455	\$ (203,595,169)
Instruction-related services:					
Instructional supervision and administration	30,464,902	534,560	29,922,732	-	(7,610)
Instructional library, media and technology	6,218,127	1,240	2,194,293	-	(4,022,594)
School site administration	47,817,139	143,494	12,378,789	-	(35,294,856)
Pupil services:					
Home-to-school transportation	8,470,894	-	82,544	-	(8,388,350)
Food services	14,720,704	2,237	20,486,334	-	5,767,867
All other pupil services	34,260,922	241,090	12,675,635	-	(21,344,197)
General administration:					
Centralized data processing	17,724,317	657,750	7,644,671	-	(9,421,896)
All other general administration	28,553,566	40,493	7,882,564	-	(20,630,509)
Plant services	45,422,168	2,612,550	16,606,864	-	(26,202,754)
Ancillary services	9,051,197	52,546	5,694,950	-	(3,303,701)
Community services	133,896	-	-	-	(133,896)
Interest on long-term liabilities	19,573,390	-	-	-	(19,573,390)
Other outgo	9,326,598	753,602	1,609,976	-	(6,963,020)
Total governmental activities	<u>\$ 581,687,087</u>	<u>\$ 6,197,226</u>	<u>\$ 220,805,331</u>	<u>\$ 1,570,455</u>	<u>(353,114,075)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					126,560,848
Taxes levied for debt service					47,325,969
Taxes levied for other specific purposes					33,435,381
Federal and state aid not restricted to specific purposes					351,771,860
Interest and investment earnings					4,468,394
Miscellaneous					349,567
Total general revenues					<u>563,912,019</u>
Change in net position					210,797,944
Net position, July 1, 2022					<u>333,072,668</u>
Net position, June 30, 2023					<u>\$ 543,870,612</u>

See accompanying notes to financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Building Fund	Capital Projects for Blended Component Units Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 290,992,297	\$ 252,768,643	\$ 207,316,688	\$ 115,903,857	\$ 866,981,485
Cash on hand and in banks	1,139,882	-	-	5,651,599	6,791,481
Revolving cash fund	142,536	-	-	14,501	157,037
With fiscal agent	60	-	63,610	-	63,670
Receivables	41,955,944	798,573	645,730	4,159,040	47,559,287
Leases receivable	4,895	-	-	546,036	550,931
Due from grantor government	20,092	-	-	-	20,092
Prepaid expenditures	4,079,686	-	-	-	4,079,686
Due from other funds	1,467,924	127,205	157,151	1,533,863	3,286,143
Stores inventory	580,927	-	-	191,074	772,001
Other current assets	-	-	-	396,895	396,895
	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,895</u>	<u>396,895</u>
Total assets	<u>\$ 340,384,243</u>	<u>\$ 253,694,421</u>	<u>\$ 208,183,179</u>	<u>\$ 128,396,865</u>	<u>\$ 930,658,708</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 46,869,568	\$ 776,619	\$ 1,970,270	\$ 4,119,002	\$ 53,735,459
Due to grantor governments	25,673,672	-	-	-	25,673,672
Unearned revenue	15,009,373	-	-	89,325	15,098,698
Due to other funds	1,694,560	156,695	185,924	1,248,964	3,286,143
	<u>89,247,173</u>	<u>933,314</u>	<u>2,156,194</u>	<u>5,457,291</u>	<u>97,793,972</u>
Total liabilities	<u>89,247,173</u>	<u>933,314</u>	<u>2,156,194</u>	<u>5,457,291</u>	<u>97,793,972</u>
Deferred Inflow s of Resources:					
Deferred inflow s of resources - leases	4,810	-	-	539,084	543,894
	<u>4,810</u>	<u>-</u>	<u>-</u>	<u>539,084</u>	<u>543,894</u>
Fund balances:					
Nonspendable	4,803,149	-	-	205,575	5,008,724
Restricted	71,931,202	252,761,107	206,026,985	118,984,601	649,703,895
Committed	140,843,835	-	-	3,210,314	144,054,149
Assigned	22,295,224	-	-	-	22,295,224
Unassigned	11,258,850	-	-	-	11,258,850
	<u>251,132,260</u>	<u>252,761,107</u>	<u>206,026,985</u>	<u>122,400,490</u>	<u>832,320,842</u>
Total fund balances	<u>251,132,260</u>	<u>252,761,107</u>	<u>206,026,985</u>	<u>122,400,490</u>	<u>832,320,842</u>
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 340,384,243</u>	<u>\$ 253,694,421</u>	<u>\$ 208,183,179</u>	<u>\$ 128,396,865</u>	<u>\$ 930,658,708</u>

See accompanying notes to financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - Governmental Funds	\$ 832,320,842
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,346,298,826 and the accumulated depreciation and amortization is \$375,772,445 (Note 5).	970,526,381
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2023 consisted of (Note 6):

General Obligation Bonds	\$ (617,301,738)	
Accreted interest	(16,292,105)	
Unamortized premium - GO Bonds	(22,343,061)	
Special tax revenue bonds	(25,330,000)	
Unamortized premium - Revenue Bonds	(2,436,929)	
Qualified Zone Academy Bonds	(770,000)	
Certificates of Participation	(18,040,000)	
Unamortized premium - COPs	(2,182,633)	
Lease liabilities	(206,093)	
Subscription-based information technology agreements (SBITA)	(988,324)	
Net pension liability (Notes 9 & 10)	(380,239,000)	
Total OPEB liability (Note 7)	(150,221,692)	
Compensated absences	(8,965,184)	
		(1,245,316,759)

Losses on refundings of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the debt.	14,775,196
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In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. Interest accrued on long-term liabilities at June 30, 2023 is:	(7,054,079)
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In government funds, deferred outflows and inflows of resource relating to pensions and other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported (Notes 7, 9 and 10).		
Deferred outflows of resources relating to pensions	\$ 118,174,499	
Deferred outflows of resources relating to OPEB	13,767,184	
Deferred inflows of resources relating to pensions	(101,352,000)	
Deferred inflows of resources relating to OPEB	(51,970,652)	
		(21,380,969)

Total net position - governmental activities	\$ 543,870,612
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See accompanying notes to financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Building Fund	Capital Projects for Blended Component Units Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 343,128,548	\$ -	\$ -	\$ -	\$ 343,128,548
Local sources	118,928,060	-	-	3,500,000	122,428,060
Total LCFF	462,056,608	-	-	3,500,000	465,556,608
Federal sources	81,070,354	-	-	12,966,581	94,036,935
Other state sources	90,178,054	-	-	26,917,272	117,095,326
Other local sources	32,278,286	4,306,008	34,721,680	58,384,466	129,690,440
Total revenues	665,583,302	4,306,008	34,721,680	101,768,319	806,379,309
Expenditures:					
Current:					
Certificated salaries	228,410,764	-	-	5,941,383	234,352,147
Classified salaries	78,392,436	390,797	403,542	7,860,095	87,046,870
Employee benefits	137,179,067	183,318	192,047	6,349,934	143,904,366
Books and supplies	42,653,894	442,527	431,994	11,095,502	54,623,917
Contract services and operating expenditures	47,172,631	2,410,767	232,660	6,459,554	56,275,612
Other outgo	1,948,938	6,594,593	-	783,067	9,326,598
Capital outlay	2,330,044	12,548,059	13,724,199	2,243,535	30,845,837
Debt service:					
Principal retirement	27,397,651	-	8,800,000	12,966,843	49,164,494
Interest	109,455	-	2,275,725	23,263,098	25,648,278
Total expenditures	565,594,880	22,570,061	26,060,167	76,963,011	691,188,119
Excess (deficiency) of revenues over (under) expenditures	99,988,422	(18,264,053)	8,661,513	24,805,308	115,191,190
Other financing sources (uses):					
Transfers in	829,044	-	-	39,649	868,693
Transfers out	(38,975)	-	-	(829,718)	(868,693)
Proceeds from sale of bonds	-	252,339,157	-	-	252,339,157
Issuance of leases - GASB 87	20,289	-	-	-	20,289
Issuance of SBITA - GASB 96	1,956,402	-	-	-	1,956,402
Premiums from issuance of bonds	-	-	-	4,457,330	4,457,330
Total other financing sources (uses)	2,766,760	252,339,157	-	3,667,261	258,773,178
Net change in fund balances	102,755,182	234,075,104	8,661,513	28,472,569	373,964,368
Fund balances, July 1, 2022	148,377,078	18,686,003	197,365,472	93,927,921	458,356,474
Fund balances, June 30, 2023	\$ 251,132,260	\$ 252,761,107	\$ 206,026,985	\$ 122,400,490	\$ 832,320,842

See accompanying notes to financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS –
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - Total Governmental Funds	\$ 373,964,368
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Amounts reported for governmental activities in the statement of activities are different because:

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 5).	35,681,697
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Depreciation and amortization of capital assets is an expense that is not recorded in governmental funds (Note 5).	(29,795,062)
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If planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense (Note 5).	(5,321,342)
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Debt proceeds from debt are recognized as other financing sources. Proceeds are reported as increases to liabilities in government-wide statements. (Note 6).	(254,315,848)
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Repayment of principal on long-term liabilities is an expenditure in governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	49,164,494
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Defeasance of long-term liabilities is an expenditure in governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	783,983
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In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source/Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt (Note 6).	(3,032,536)
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Accreted interest is an expense that is not reported in the governmental funds (Note 6).	2,605,247
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In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	22,078
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(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS –
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that is incurred. \$ 267,335

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Note 9 and 10). 44,154,918

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis to include the change in the total OPEB liability as well as the changes in the deferred outflows and deferred inflows. This year, the difference between OPEB expenses and actual employer OPEB contributions was (Notes 6 and 7): (3,381,388)

Change in net position of governmental activities \$ 210,797,944

See accompanying notes to financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION -
FIDUCIARY FUND – TRUST FUND
June 30, 2023

	Scholarship <u>Trust</u>
ASSETS	
Cash in County Treasury	\$ 14,047
Cash on hand and in banks (Note 2)	420,413
Receivables	<u>55</u>
Total assets	<u>434,515</u>
NET POSITION	
Restricted for scholarships	<u><u>\$ 434,515</u></u>

See accompanying notes to financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION – TRUST FUND
For the Year Ended June 30, 2023

	Scholarship <u>Trust</u>
Non-operating revenue:	
Interest Income	<u>1,098</u>
Change in net position	1,098
Net position, July 1, 2022	<u>433,417</u>
Net position, June 30, 2023	<u><u>\$ 434,515</u></u>

See accompanying notes to financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sweetwater Union High School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Component Units: The Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units discussed below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component units, although a legally separate entity, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units are essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

Both Sweetwater Union High School District Financing Corporation (the Corporation) and Sweetwater Union High School District Public Financing Authority (the Authority) are nonprofit, public benefit corporations incorporated under the laws of the State of California and recorded by the Secretary of State. The entities were formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling, and leasing public facilities, land, personal property, and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease-purchase agreements recorded in long-term obligations (certificates of participation). The District is required under certain lease agreements issued by the Corporation and special tax bonds issued by the Authority to make payments solely from Special Taxes levied in and collected from various Community Facilities Districts.

The Corporation and the Authority's financial activity are presented in the financial statements in the Capital Projects for Blended Component Units Fund and in the Debt Service Fund for Blended Component Units. Certificates of participation issued by the Corporation and special tax bonds issued by the Authority are included as long-term obligations in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation or the Authority.

Other Related Entities: The District has approved charters for The Metropolitan Area Advisory Committee Community Charter School and Stephen Hawking Charter School pursuant to Education Code Section 47605. The Charter Schools are not operated by the District, and their financial activities are not presented in the District's financial statements. The Charter Schools are operated by separate governing boards and are not considered component units of the District. The Charter Schools receive State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation and amortization expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is an indirect expense and is reported separately on the Statement of Activities.

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

A - Major Funds

The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Building Fund* is a capital projects fund used primarily to account separately for proceeds from the sale of bonds and may not be used for any purposes other than those for which the bonds were issued. Other revenue to the Building Fund is investment income and change in fair value of investments on the proceeds from the sale of bonds.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The *Capital Projects for Blended Component Units Fund* is a capital projects fund used to account for capital projects financed by the Sweetwater Union High School District Financing Corporation (the Corporation) and the Sweetwater Union High School District Public Financing Authority (the Authority) and similar entries that are considered blended component units of the District under generally accepted accounting principles (GAAP).

B - Other Funds

Special Revenue Funds: The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Student Activity, Adult Education, Cafeteria, and Deferred Maintenance Funds.

a - Student Activity Fund – This fund is used to account separately for local revenues restricted for use of the student body. The transactions of the Student Activity Fund are ones of raising and expending money to promote the general welfare, morale, and educational experiences of the student body.

b - Adult Education Fund - This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Money received from programs other than adult education shall not be expended for adult education.

c - Cafeteria Fund - This fund is used to account for federal, state, and local resources to operate the food service program. The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program.

d - Deferred Maintenance Fund - This fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes.

Capital Projects Funds: The capital projects funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Capital Facilities, County School Facilities and Special Reserve for Capital Outlay.

a - Capital Facilities Fund - This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development. The authority for these levies may be county/city ordinances or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund.

b - County School Facilities Fund - This is a capital project fund used to account for the accumulation and expenditure of resources used for the acquisition or construction of major capital facilities and equipment.

c - Special Reserve for Capital Outlay Fund – This is a capital projects fund used to provide for the accumulation of general fund moneys for capital outlay purposes. This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to other funds. Other authorized resources that may be deposited to the Special Reserve Fund for Capital Outlay Projects are rentals and leases of real property specifically authorized for deposit to the fund by the governing board and interest earned on cash balances.

Debt Service Fund: The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a - Bond Interest and Redemption Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Fund: This fund is used to account for assets held by the District in a trustee capacity for others that cannot be used to support the District's own programs.

Scholarship Trust Fund - This fund is used to report formal trust arrangements under which the principal and interest benefit other individuals, private organizations, or other governments.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Measurement Focus

Accrual - Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

Receivables: Receivables in the General Fund and the Aggregate Remaining Fund Information are made up primarily of amounts due from the State of California and categorical programs. Receivables in the other major funds are made up primarily of interest receivable as of June 30, 2023. The District has determined that no allowance for doubtful accounts was required as of June 30, 2023.

Stores Inventory: Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets purchased or acquired, with an original cost of \$20,000 or more, are recorded at historical cost or estimated historical cost, except for intangible right-to-use lease assets, the measurement of which is discussed in the "Leases" note below. Contributed assets are reported at estimated acquisition value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	45 - 50 years
Land Improvements	20 years
Building Improvements	7-30 years
Furniture and Equipment	5 -15 years
Vehicles	8 years

Leases: The District is a lessee for leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities applicable to GASB Statement No. 87, *Leases*.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. As a lessee the district recognizes interest expenses on lease payables. The interest rates for lease liabilities are not implicit and are not readily determinable. The District utilizes its incremental borrowing rate to discount the lease payments. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of its useful life or the remaining lease term. The estimate life for lease assets ranges from 5-7 years.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

The District is a lessor for leases of property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditure) until then. The District has recognized a deferred loss on refunding, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability and Total OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the District's lessor activities, net pension liability and Total OPEB liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in aggregate as of June 30, 2023:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 64,182,652	\$ 53,991,847	\$ 118,174,499
Deferred inflows of resources	\$ 89,731,000	\$ 11,621,000	\$ 101,352,000
Net pension liability	\$ 213,297,000	\$ 166,942,000	\$ 380,239,000
Pension expense	\$ 20,052,772	\$ 13,915,811	\$ 33,968,583

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the Total 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 District Plan and the MPP's 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.

Compensated Absences: Compensated absences benefits in the amount of \$8,965,184 are recorded as a liability as of June 30, 2023. The liability is for the earned but unused benefits.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

1 - *Net Investment in Capital Assets* - Consists of capital assets including capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2 - *Restricted Net Position* - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for scholarships represents the portion of net position available for scholarships. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - *Unrestricted Net Position* - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - *Nonspendable Fund Balance:* The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures, and stores inventory.

B - *Restricted Fund Balance:* The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

C - *Committed Fund Balance:* The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assigned Fund Balance: The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, the Board of Trustees has designated the Chief Financial Officer.

E - Unassigned Fund Balance: In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements if they have been adopted by the Board of Trustees. At June 30, 2021, the District has established a minimum fund balance of two percent of the district's general fund annual operating expenditures in line with the State of California's recommended minimum for a district of this size.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of San Diego bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities' column.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB Statement No. 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. This statement was effective for fiscal years beginning after June 15, 2022. There was no impact to the District's July 1, 2022 net position as a result of the implementation of GASB Statement No. 96.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of the following:

	Governmental <u>Funds</u>	Fiduciary <u>Activities</u>
Pooled funds:		
Cash in County Treasury	\$ 866,981,485	\$ 14,047
Cash with fiscal agent	63,670	-
Deposits:		
Cash on hand and in banks	6,791,481	420,413
Cash in revolving fund	<u>157,037</u>	<u>-</u>
	<u><u>\$ 873,993,673</u></u>	<u><u>\$ 434,460</u></u>

Pooled Funds - Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing San Diego County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the 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.

Cash with Fiscal Agent: Cash with Fiscal Agent represents cash balances held at amortized cost with JPMorgan, US Bank, and MFUG Union Bank for debt obligations. The cash balances are fully collateralized at June 30, 2023.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in a credit union and insured up to \$250,000 by the National Credit Union Administration (NCUA) and are collateralized by the respective financial institution. As of June 30, 2023, the carrying amount of the District's accounts was \$7,368,931 and the bank balances totaled \$8,848,634. Bank balances were insured for \$500,000 and \$8,348,634 remained uninsured.

Interest Rate Risk: The District's investment policy includes restrictions that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District's investment policy requires that investments be limited to securities that comply with California Government Code 53601.

Concentration of Credit Risk: In effort to reduce portfolio risk, the District's investment policy requires investments to be diversified in terms of maturity, security type and issuer.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. All receivables and payables are expected to be paid within the next year.

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2023 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 1,467,924	\$ 1,694,560
Building	127,205	156,695
Capital Projects for Blended Component Units	157,151	185,924
Non-Major Funds:		
Adult Education	6,867	803,052
Cafeteria	25,685	326,831
Deferred Maintenance	1,880	-
Capital Facilities	121,775	114,081
Special Reserve for Capital Outlay	1,377,656	5,000
	<u>\$ 3,286,143</u>	<u>\$ 3,286,143</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2022-2023 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for facility revenue.	\$ 38,975
Transfer from the Adult Education Fund to the General Fund for indirect costs.	714,963
Transfer from the Adult Education Fund to the Deferred Maintenance Fund for facility revenue.	674
Transfer from the Capital Facilities Fund to the General Fund for 3% of Developer Fees collected in fiscal year 2022/23 per Education Code section 17620.	<u>114,081</u>
Total	<u>\$ 868,693</u>

NOTE 4 – LEASES RECEIVABLE

The District is a lessor for leases of district-owned property. Lease terms vary, and may contain one or more renewal options. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The District's lease arrangements do not contain any material residual value guarantees. As a lessor, the District recognizes interest revenue on the lease receivables. The interest rates for lease receivables are not implicit and are not readily determinable. The District utilizes its incremental borrowing rate to discount the lease payments.

Minimum lease payments receivable on leases of investment properties are as follows:

Year Ending				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2024	\$ 184,541	\$ 2,871	\$ 187,412	
2025	173,355	1,743	175,098	
2026	174,465	661	175,126	
2027	<u>18,570</u>	<u>12</u>	<u>18,582</u>	
	<u>\$ 550,931</u>	<u>\$ 5,287</u>	<u>\$ 556,218</u>	

The total amount of inflows of resources relating to leases recognized in the current fiscal year are as follows:

	Governmental Funds/ Governmental Activities <u>June 30, 2023</u>
Lease revenue	\$ 251,299
Interest revenue	\$ 4,394

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 5 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2023 is shown below:

	Balance July 1, <u>2022</u>	Additions and <u>Transfers</u>	Deletions and <u>Transfers</u>	Balance June 30, <u>2023</u>
Non-depreciable:				
Land	\$ 143,883,168	\$ -	\$ -	143,883,168
Work-in-process	64,044,389	30,864,768	46,456,300	48,452,857
Depreciable:				
Buildings	1,021,356,950	6,737,993	-	1,028,094,943
Land improvements	26,621,039	33,135,710	-	59,756,749
Equipment	58,949,437	1,261,255	-	60,210,692
Totals, at cost	<u>1,314,854,983</u>	<u>71,999,726</u>	<u>46,456,300</u>	<u>1,340,398,409</u>
Less accumulated depreciation:				
Buildings	(280,680,865)	(23,827,220)	-	(304,508,085)
Land improvements	(10,662,257)	(1,892,757)	-	(12,555,014)
Equipment	(54,222,119)	(1,321,840)	-	(55,543,959)
Total accumulated depreciation	<u>(345,565,241)</u>	<u>(27,041,817)</u>	<u>-</u>	<u>(372,607,058)</u>
Intangible capital assets being amortized:				
Lease assets:				
Equipment	1,170,057	24,199	86,569	1,107,687
Totals, at cost	<u>1,170,057</u>	<u>24,199</u>	<u>86,569</u>	<u>1,107,687</u>
Accumulated lease amortization:				
Equipment	(498,711)	(499,349)	(86,569)	(911,491)
Total accumulated lease amortization	<u>(498,711)</u>	<u>(499,349)</u>	<u>(86,569)</u>	<u>(911,491)</u>
Total lease assets, net	<u>671,346</u>	<u>(475,150)</u>	<u>-</u>	<u>196,196</u>
Subscription assets:				
Subscriptions	-	4,792,730	-	4,792,730
Totals, at cost	<u>-</u>	<u>4,792,730</u>	<u>-</u>	<u>4,792,730</u>
Accumulated subscriptions amortization:				
Subscriptions	-	(2,253,896)	-	(2,253,896)
Total accumulated subscriptions amortization	<u>-</u>	<u>(2,253,896)</u>	<u>-</u>	<u>(2,253,896)</u>
Total subscriptions assets, net	<u>-</u>	<u>2,538,834</u>	<u>-</u>	<u>2,538,834</u>
Governmental activities				
Capital assets, net	<u>\$ 969,961,088</u>	<u>\$ 47,021,593</u>	<u>\$ 46,456,300</u>	<u>\$ 970,526,381</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation and amortization expense was charged to governmental activities for the year ended June 30, 2023 as follows:

Governmental activities:

Instruction	\$ 14,897,531
Instructional related services	7,448,765
All other pupil services	<u>7,448,766</u>

Total depreciation and amortization expense	<u><u>\$ 29,795,062</u></u>
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NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: The following is a summary of Bond activity for the year ended June 30, 2023:

Series	Interest Rate	Original Fiscal Year Maturity	Balance July 1, 2022	Current Year Issuance	Current Year Matured	Balance June 30, 2023
2000 - C	2.50 - 5.32	2030	\$ 12,816,149	\$ -	\$ 3,088,568	\$ 9,727,581
2011	3.22%	2026	7,825,000	-	1,865,000	5,960,000
2014	3.0 - 5.0%	2030	71,185,000	-	2,340,000	68,845,000
2016	4.0 - 5.0%	2048	166,800,000	-	260,000	166,540,000
2016 - B	2.0 - 4.0%	2041	89,895,000	-	2,475,000	87,420,000
2018 - C	3.5 - 5.0%	2048	27,760,000	-	-	27,760,000
2022D	4.16-5.49%	2048	-	52,339,157	770,000	51,569,157
2022A	4.25-5.00%	2053	<u>-</u>	<u>200,000,000</u>	<u>520,000</u>	<u>199,480,000</u>
Total			<u>\$ 376,281,149</u>	<u>\$ 252,339,157</u>	<u>\$ 11,318,568</u>	<u>\$ 617,301,738</u>

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 20,535,767	\$ 24,443,429	\$ 44,979,196
2025	18,493,474	28,967,457	47,460,931
2026	20,197,177	28,689,219	48,886,396
2027	19,056,162	28,132,356	47,188,518
2028	22,435,000	27,584,479	50,019,479
2029-2033	87,631,986	95,804,456	183,436,442
2034-2038	87,321,726	83,278,054	170,599,780
2039-2043	117,495,769	80,432,276	197,928,045
2044-2048	147,114,677	82,419,924	229,534,601
2049-2053	<u>77,020,000</u>	<u>12,185,250</u>	<u>89,205,250</u>
	<u>\$ 617,301,738</u>	<u>\$ 491,936,900</u>	<u>\$ 1,109,238,638</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

In November 2000, the District voters approved Proposition BB, which authorized \$187 million in general obligation bonds. On November 4, 2004, the District issued \$96,999,415 aggregate original principal amount of General Obligation Bonds, Election of 2000, Series C (Proposition BB). The bonds were issued to finance modernization projects at 19 schools, including planning, design, and construction costs for the facilities to be completed at all schools. The bonds originally matured through August 1, 2029, with interest rates from 2.50 to 5.32 percent.

On December 14, 2011, the District issued \$23,835,000 Series 2011 Refunding Bonds (Proposition BB) pursuant to a Placement Agreement between the District and Capital One Public Funding, LLC. The bonds mature through August 1, 2025, with a stated interest rate of 3.22 percent.

On July 30, 2014, the District issued \$82,270,000 in 2014 General Obligation Refunding Bonds (Proposition BB). The bonds mature through August 1, 2029, with interest rates from 3.00 to 5.00 percent.

In November 2006, the District voters approved Proposition O, which authorized \$644 million in general obligation bonds. On March 24, 2016, the District issued \$168,710,000 in 2016 General Obligation Refunding Bonds (Proposition O). The bonds mature through August 1, 2047, with interest rates from 4.00 to 5.00 percent.

On March 24, 2016, the District issued \$97,000,000 in General Obligation Bonds, Election of 2006, Series 2016B (Proposition O). The bonds mature through August 1, 2040, with interest rates from 2.00 to 4.00 percent.

On April 4, 2018, the District issued \$28,000,000 in General Obligation Bonds, Election of 2006, Series 2018C (Proposition O). The bonds were issued to provide funds for authorized capital projects, fund capitalized interest on the bonds, and to pay certain costs of issuing the bonds. The bonds mature through August 1, 2047, with interest rates from 3.50 to 5.00 percent.

On October 12, 2022, the District issued \$52,339,157 in General Obligation Bonds, Election of 2006, Series 2022D (Proposition O). The bonds mature through August 1, 2047, with interest rates from 4.16 to 5.49 percent.

In November 2018, the District voters approved Measure DD, which authorized \$403 million in general obligation bonds. On October 12, 2022, the District issued \$200,000,000 in General Obligation Bonds, Election of 2018, Series 2022A (Measure DD). The bonds mature through August 1, 2052, with interest rates from 4.25 to 5.00 percent.

Special Revenue Bonds: The following is a summary of other bond activity for the year ended June 30, 2023.

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2022</u>	<u>Current Year Retirement</u>	<u>Balance June 30, 2023</u>
10/30/2013	3.00 - 5.00%	2028	\$ 31,880,000	\$ 6,550,000	\$ 25,330,000
11/8/2016	1.23 - 3.96%	2036	28,000,000	28,000,000	-
Total			<u>\$ 59,880,000</u>	<u>\$ 34,550,000</u>	<u>\$ 25,330,000</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Special Tax Revenue Bonds: On October 30, 2013, the Authority issued \$72,140,000 in 2013 Special Tax Refunding Revenue Bonds, pursuant to an agreement between the District and the Authority. The bonds, together with other available funds, were issued to refund certain outstanding certificates of participation. The bonds are payable from the revenue pledged, consisting primarily of installment payments made by the District for the acquisition and construction of certain school facilities. The District's obligation to make installment payments is payable solely from Special Taxes levied in and collected from various Community Facilities Districts. The bonds are due to mature through September 1, 2027 with interest rates ranging from 3.00 to 5.00 percent.

Year Ending June 30,	Principal	Interest	Total
2024	\$ 6,890,000	\$ 1,040,875	\$ 7,930,875
2025	6,630,000	702,875	7,332,875
2026	5,505,000	399,500	5,904,500
2027	4,375,000	174,375	4,549,375
2028	1,930,000	43,437	1,973,437
	<u>\$ 25,330,000</u>	<u>\$ 2,361,062</u>	<u>\$ 27,691,062</u>

Qualified Zone Academy Bonds: On April 1, 2010, the District entered into a Trust Agreement, under which the Trustee agrees to execute and deliver \$5,000,000 aggregate principal amount of Certificates of Participation, 2010 Series A (Qualified Zone Academy Bonds), each evidencing a direct, undivided fractional interest in lease payments to be paid by the District under the Lease. The annual requirements to amortize the QZAB outstanding as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 380,000	\$ 17,734	\$ 397,734
2025	390,000	8,958	398,958
	<u>\$ 770,000</u>	<u>\$ 26,692</u>	<u>\$ 796,692</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs): On February 23, 2017, the District issued \$35,515,000 in 2017 Refunding Certificates of Participation under the terms of a lease agreement with the Corporation. The Certificates were issued to prepay the District's rental and/or installment obligations with respect to the Special Tax Revenue Bonds, Series 2005 and the Certificates of Participation, Series 2005 Refinancing. The Certificates are payable from lease payments made by the District to the Corporation as rental for certain school facilities pursuant to a lease agreement. The District is required under the lease agreement to make payments from certain Special Taxes levied in and collected from various Community Facilities Districts. The certificates are due to mature through September 1, 2029 with interest rates ranging from 2.00 to 5.00 percent.

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2022</u>	<u>Current Year Retirement</u>	<u>Balance June 30, 2023</u>
2/23/2017	2.00 - 5.00%	2030	<u>\$ 20,290,000</u>	<u>\$ 2,250,000</u>	<u>\$ 18,040,000</u>

The certificates mature through 2030 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,215,000	\$ 787,225	\$ 3,002,225
2025	2,330,000	673,600	3,003,600
2026	2,440,000	554,350	2,994,350
2027	2,565,000	429,225	2,994,225
2028	2,690,000	297,850	2,987,850
2029-2030	<u>5,800,000</u>	<u>204,400</u>	<u>6,004,400</u>
	<u>\$ 18,040,000</u>	<u>\$ 2,946,650</u>	<u>\$ 20,986,650</u>

Lease Liabilities: The District holds various lease agreements for equipment including copiers and technology. The leases interest and yield vary, ranging from 0.624% to 1.896% and are scheduled to mature through 2029.

The annual requirements to amortize the leases outstanding as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 163,106	\$ 957	\$ 164,063
2025	27,742	416	28,158
2026	9,355	171	9,526
2027	5,355	51	5,406
2028	<u>535</u>	<u>2</u>	<u>537</u>
	<u>\$ 206,093</u>	<u>\$ 1,597</u>	<u>\$ 207,690</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Subscription Liabilities: The District has entered into subscription-based contracts to use vendor-provided information technology with noncancelable terms ranging from two to four years. These contracts require the District to make fixed payments for the right to use software.

Future subscription payments at June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 904,647	\$ 18,600	\$ 923,247
2025	81,663	1,036	82,699
2026	2,014	46	2,060
	\$ 988,324	\$ 19,682	\$ 1,008,006

Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Balance July 1, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2023</u>	Amounts Due Within <u>One Year</u>
General Obligation Bonds:					
General Obligation Bonds	\$ 376,281,149	\$ 252,339,157	\$ 11,318,568	\$ 617,301,738	\$ 20,535,767
Accreted interest	18,897,352	2,146,185	4,751,432	16,292,105	5,144,233
Unamortized premium - GO Bonds	19,226,735	4,457,330	1,341,004	22,343,061	1,495,883
Direct Placement:					
Special tax revenue bonds	31,880,000	-	6,550,000	25,330,000	6,890,000
Unamortized premium - revenue bonds	2,924,315	-	487,386	2,436,929	487,386
Lease revenue bonds	28,000,000	-	28,000,000	-	-
Qualified Zone Academy Bonds	1,140,000	-	370,000	770,000	380,000
Certificates of Participation	20,290,000	-	2,250,000	18,040,000	2,215,000
Unamortized premium - COPs	2,494,437	-	311,804	2,182,633	311,804
Other Long-term Liabilities					
Lease Liabilities	677,635	20,289	491,831	206,093	163,106
Subscription Liabilities	-	1,956,402	968,078	988,324	904,647
Net pension liability (Notes 8 & 9)	238,794,000	141,445,000	-	380,239,000	-
Total OPEB liability (Note 7)	145,099,101	5,551,994	429,403	150,221,692	-
Compensated absences	8,987,262	-	22,078	8,965,184	-
Total	\$ 894,691,986	\$ 407,916,357	\$ 57,291,584	\$ 1,245,316,759	\$ 38,527,826

Payments made on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation and special tax revenue bonds are made from the Capital Projects for Blended Component Units Fund. Payments for the lease revenue bonds, leases and subscriptions are made from the General Fund and Special Reserve for Capital Outlay Fund. Payments for the Qualified zone academy bonds are paid from the General Fund. The compensated absences will be paid by the fund for which the employees worked. The total other postemployment benefits (OPEB) liability is generally paid by the General Fund.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

General Information Other Postemployment Benefits Plan (OPEB) - District Plan

Plan Description: The Sweetwater Union High School District Early Retiree Health Benefit Plan (the "Plan") is a single employer defined benefit health and welfare plan administered by the District. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. There is no separate trust established.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2023:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	234
Active employees	<u>3,607</u>
	<u><u>3,841</u></u>

Benefits Provided: The District will contribute health and welfare benefits to eligible retirees, their spouses and dependents until the employee becomes eligible for other health and welfare benefits.

Certificated, Classified & Other Non-Management Employees With Less Than 25 Years of Service: The District provides retiree medical benefits (including prescription drug benefits) to eligible retirees and their dependents. The District's financial obligation is to pay for retiree medical coverage to age 65 (Medicare eligibility). The District pays up to 100% of the cost for retiree's elected medical coverage up to an annual maximum. The annual maximum is based on the active employee annual medical maximum for medical benefits only and varies by family coverage tier. The current total district contribution is \$15,130. The retiree pays for any amounts above the District's contribution. The District does not provide any retiree health benefits beyond age 65 or Medicare eligibility, if earlier. No dental and vision coverage is available except through COBRA. Eligibility for retiree health coverage requires retirement from the District under STRS/PERS on or after age 55 with at least 15 years of total District service. Disability coverage may be available for up to 10 years. Dependent coverage (except COBRA continuation) ceases a year after the death of the retiree or when the retiree would have reached age 65, if earlier. Effective January 1, 2006 spouses over 65 are not covered under the retiree's health plan.

Management Employees & All Other Employees With at Least 25 Years of Service: The District provides retiree medical benefits (including prescription drug benefits), dental benefits, vision benefits and life benefits to eligible retirees and their dependents. The District's financial obligation is to pay for the retiree and dependent coverage to age 65 (Medicare eligibility). The District pays up to 100% of the cost for retiree's elected coverages up to an annual maximum. The annual maximum is based on the active employee annual maximum. The current total maximum is \$15,130 for all family coverage tiers. The retiree pays for any amounts above the District's contribution. The District does not provide any retiree health benefits beyond age 65 or Medicare eligibility, if earlier. Eligibility for retiree health coverage requires retirement from the District under STRS/PERS on or after age 55 with at least 15 years of total District service. Supervisors must have at least 15 years of District service and 25 years of total service. Disability coverage may be available for up to 10 years. The retiree pays for any amounts above the District's contribution. Dependent coverage (except COBRA continuation) ceases a year after the death of the retiree or when the retiree reaches age 65, if earlier. Effective January 1, 2006 spouses over 65 are not covered under the retiree's health plan.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Board Members: The District provides continuation of medical benefits (including prescription drug benefits), dental benefits, vision benefits and life benefits to eligible retired Board Members and their dependents. Board members are subject to two-year terms. Eligibility requires at least 12 years of consecutive service on the Board at retirement. The eligible Board Member is required to pay the full cost of continuing coverage at retirement.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the District were \$4,402,636 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	June 30, 2022
<u>Mortality Rate:</u>	General – SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021. Teacher – SOA Pub-2010 Teachers Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving Spouses – SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021.
<u>Discount Rate</u>	4.13% Average of S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.
<u>Retirement Rate</u>	Retirement rates match rates developed in the most recent experience studies for California PERS (2021).
<u>Inflation Rate</u>	2.75% per year
<u>Salary Increases</u>	2.75% per year

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

<u>Medicare Coverage</u>	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
<u>Health Care Inflation</u>	4.50 – 6.75%
<u>Termination Rate</u>	Termination rates match rates developed in the most recent experience studies for California PERS (2021).
<u>Disability Rate</u>	Disability rates match rates developed in the most recent experience studies for California PERS (2021).

Changes in Total OPEB Liability

	Total OPEB <u>Liability</u>
Balance at June 30, 2022	\$ 142,956,656
Changes for the year:	
Service cost	6,634,962
Interest	6,029,166
Benefit payments	(4,402,636)
Differences between expected and actual experience	(2,242,949)
Change in assumptions	<u>(466,549)</u>
Net change	<u>5,551,994</u>
Balance at June 30, 2023	<u><u>\$ 148,508,650</u></u>

There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2022. The changes in assumptions includes a change in the discount rate from 4.09% at the July 1, 2022 measurement date to 4.13% at the June 30, 2023 measurement date as well as updates to the mortality rates, retirement rates, termination rates, disability rates and health care trend rates based upon the updated CalSTRS and CalPERS studies.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the Total OPEB Liability of the District would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease <u>(3.13%)</u>	Current Discount Rate <u>(4.13%)</u>	1% Increase <u>(5.13%)</u>
Total OPEB liability	<u>\$ 160,447,234</u>	<u>\$ 148,508,650</u>	<u>\$ 137,177,606</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.5 - 5.8%)	Healthcare Cost Trend Rates Rate (4.5 - 6.8%)	1% Increase (5.5 - 7.8%)
Total OPEB liability	\$ 130,761,276	\$ 148,508,650	\$ 169,459,224

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2023, the District recognized OPEB expense of \$8,213,427. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 11,451,374
Changes of assumptions	13,767,184	40,519,278
Total	\$ 13,767,184	\$ 51,970,652

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2024	\$ (4,450,701)
2025	\$ (4,450,701)
2026	\$ (4,450,707)
2027	\$ (4,618,942)
2028	\$ (4,618,942)
Thereafter	\$ (15,613,475)

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2018 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, benefit payments 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.

OPEB Liabilities and OPEB Expense: At June 30, 2023, the District reported a liability of \$1,713,042 for its proportionate share of the total OPEB liability for the MPP Program. The total OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the total OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively, was 0.5200 percent, and 0.5348 percent, resulting in a net decrease in the proportionate share of 0.0148 percent.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 8 - FUND BALANCES

Fund balances, by category, at June 30, 2023 consisted of the following:

	General Fund	Building Fund	Capital Project for Blended Component Units Funds	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 142,536	\$ -	\$ -	\$ 14,501	\$ 157,037
Stores inventory	580,927	-	-	191,074	772,001
Prepaid expenditures	4,079,686	-	-	-	4,079,686
Subtotal Nonspendable	4,803,149	-	-	205,575	5,008,724
Restricted:					
Grants (unspent categorical revenues)	71,931,202	-	-	-	71,931,202
Student body activities	-	-	-	3,467,459	3,467,459
Adult education operations	-	-	-	11,024,937	11,024,937
Cafeteria operations	-	-	-	14,434,964	14,434,964
Capital projects	-	252,761,107	206,026,985	45,953,160	504,741,252
Debt service	-	-	-	44,104,081	44,104,081
Subtotal Restricted	71,931,202	252,761,107	206,026,985	118,984,601	649,703,895
Committed:					
Reserve for Declining Enrollment	108,801,259	-	-	-	108,801,259
Local Control and Accountability Plan (LCAP) 2021-22	7,973,534	-	-	-	7,973,534
Local Control and Accountability Plan (LCAP) 2022-23	24,069,042	-	-	-	24,069,042
Deferred maintenance program	-	-	-	3,210,314	3,210,314
Subtotal Committed	140,843,835	-	-	3,210,314	144,054,149
Assigned:					
Reserve for contingencies	16,888,267	-	-	-	16,888,267
Capital improvements carryover/QZAB	5,000,000	-	-	-	5,000,000
	406,957	-	-	-	406,957
Subtotal Assigned	22,295,224	-	-	-	22,295,224
Unassigned:					
Reserve for economic uncertainty	11,258,850	-	-	-	11,258,850
Total fund balances	\$ 251,132,260	\$ 252,761,107	\$ 206,026,985	\$ 122,400,490	\$ 832,320,842

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60 - CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62 - CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for any 36 consecutive months of credited service.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation"), were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan, SB 90 and SB84, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2023. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2023.

Under CalSTRS 2% at 62, members pay 9% toward the normal cost and an additional 1.205 percent as per the CalSTRS Funding Plan for a total member contribution rate of 10.205 percent. The contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1% since the last time the member contribution rate was set. Based on the June 30, 2021, valuation adopted by the CalSTRS board in May 2022, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2022.

Employers – Employers are required to contribute a base contribution rate set in statute at 8.25%. Pursuant to the CalSTRS Funding Plan, employers also have a supplemental contribution rate to eliminate their share of the CalSTRS unfunded actuarial obligation by 2046.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorized the CalSTRS board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In May 2022, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2022–23 for a total employer contribution rate of 19.10%.

The CalSTRS employer contribution rates effective for fiscal year 2023 through fiscal year 2046–47 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Total</u>
July 1, 2022	8.250%	10.850%	19.100%
July 1, 2023 to June 30, 2046	8.250%	(1)	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47	

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$42,925,652 to the plan for the fiscal year ended June 30, 2023.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS RETIREMENT PLAN (Continued)

State – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In May 2022, the CalSTRS board voted to keep the state supplemental contribution rate at 6.311% for fiscal year 2022–23 for a total contribution rate of 10.828%.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2021-22. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, the "Rainy-Day Budget Stabilization Fund Act", which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2021–22, CalSTRS received \$410.0 million in supplemental state contributions from Proposition 2 funds. Additionally, CalSTRS received a one-time supplemental payment of \$173.7 million from the General Fund in fiscal year 2021–22 to offset forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21.

The CalSTRS state contribution rates effective for fiscal year 2023 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2023 to				
June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

- (1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.
- (2) The CalSTRS board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
- (3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

Pension Liabilities, Pension Expense, and 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:

District's proportionate share of the net pension liability	\$ 213,297,000
State's proportionate share of the net pension liability associated with the District	<u>120,561,000</u>
Total	<u>\$ 333,858,000</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS RETIREMENT PLAN (Continued)

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2022, the District's proportion was 0.307 percent, which was a 0.005 increase from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$20,052,772 and revenue of \$19,343,004 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
Difference between expected and actual experience	\$ 175,000	\$ 15,993,000
Changes of assumptions	10,578,000	-
Net differences between projected and actual earnings on investments	-	10,431,000
Changes in proportion and differences between District contributions and proportionate share of contributions	10,504,000	63,307,000
Contributions made subsequent to measurement date	42,925,652	-
Total	<u>\$ 64,182,652</u>	<u>\$ 89,731,000</u>

\$42,925,652 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2024	\$ (13,893,517)
2025	\$ (21,925,517)
2026	\$ (29,652,017)
2027	\$ 5,197,317
2028	\$ (8,016,933)
2029	\$ (183,333)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the 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 actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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 the total pension liability.

Mortality: 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 percent 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 investment staff and investment consultants as inputs to the process.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	42%	4.8%
Real Estate	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 362,258,000</u>	<u>\$ 213,297,000</u>	<u>\$ 89,615,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter, and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at: <https://www.calpers.ca.gov/docs/forms-publications/acfr-2022.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when district’s first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2023 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2022-2023.

Employers - The employer contribution rate was 25.37 percent of applicable member earnings.

The District contributed \$21,177,847 to the plan for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$166,942,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District’s proportion of the net pension liability was based on the District’s contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2022, the District’s proportion was 0.485 percent, which was a decrease of 0.013 from its proportion measured as of June 30, 2021.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2023, the District recognized pension expense of \$13,915,811. 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
Difference between expected and actual experience	\$ 754,000	\$ 4,154,000
Changes of assumptions	12,349,000	-
Net differences between projected and actual earnings on investments	19,711,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	7,467,000
Contributions made subsequent to measurement date	<u>21,177,847</u>	<u>-</u>
Total	<u>\$ 53,991,847</u>	<u>\$ 11,621,000</u>

\$21,177,847 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024 . Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2024	\$ 2,008,500
2025	\$ 3,788,500
2026	\$ 3,376,500
2027	\$ 12,019,500

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 3.9 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

Valuation Date	June 30, 2021
Experience Study	June 30, 2000 through June 30, 2019
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 80% of scale MP2020. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2021-22 measurement period, the financial reporting discount rate for PERF B was lowered from 7.15 percent to 6.90 percent. In addition, the inflation assumption was reduced from 2.50 percent to 2.30 percent. Lastly, demographic assumptions for mortality rates were updated.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Expected Real Rates of Return Years 1-10 (1, 2)</u>
Global Equity – cap-weighted	30.00%	4.45%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	.27%
Mortgage-backed Securities	5.00%	.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

(1) An expected inflation rate of 2.30% used for this period

(2) Figures are based on the 2021-22 CalPERS Asset Liability Management Study

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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.

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.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District’s proportionate share of the net pension liability	\$ 241,156,000	\$ 166,942,000	\$ 105,607,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 - JOINT POWERS AGREEMENTS

The District is a member of the San Diego County Schools Risk Management Joint Powers Authority public entity risk pool. The District pays an annual premium to the entity for its workers' compensation, health and welfare, and property and liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. During the year ended June 30, 2023, the District made payments totaling \$4,155,066 for annual premiums. Audited financial statements are generally available from the respective entities. Information provided below as of June 30, 2021 (most recently available information), is as follows:

Total assets	\$ 134,343,713
Deferred outflows	\$ 855,774
Total liabilities	\$ 72,232,341
Deferred inflows	\$ 1,381,490
Total net position	\$ 61,585,656
Total revenues	\$ 61,640,238
Total expenses	\$ 57,036,246
Change in net position	\$ 4,603,992

NOTE 12 - CONTINGENT LIABILITIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

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

REQUIRED SUPPLEMENTARY INFORMATION

SWEETWATER UNION HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

	Budget			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 341,470,007	\$ 347,630,297	\$ 343,128,548	\$ (4,501,749)
Local sources	106,542,621	115,876,766	118,928,060	3,051,294
Total LCFF	448,012,628	463,507,063	462,056,608	(1,450,455)
Federal sources	37,163,673	142,614,515	81,070,354	(61,544,161)
Other state sources	89,060,972	110,297,318	90,178,054	(20,119,264)
Other local sources	32,674,023	37,953,889	32,278,286	(5,675,603)
Total revenues	606,911,296	754,372,785	665,583,302	(88,789,483)
Expenditures:				
Current:				
Certificated salaries	236,168,751	263,296,141	228,410,764	34,885,377
Classified salaries	83,431,085	89,744,884	78,392,436	11,352,448
Employee benefits	155,485,571	160,102,173	137,179,067	22,923,106
Books and supplies	29,962,198	139,199,910	42,653,894	96,546,016
Contract services and operating expenditures	50,963,924	77,127,704	47,172,631	29,955,073
Other outgo	1,609,077	3,365,238	1,948,938	1,416,300
Capital outlay	360,000	23,097,564	2,330,044	20,767,520
Debt service:				
Principal	370,000	26,422,698	27,397,651	(974,953)
Interest	26,220	71,704	109,455	(37,751)
Total expenditures	558,376,826	782,428,016	565,594,880	216,833,136
Excess (deficiency) of revenues over (under) expenditures	48,534,470	(28,055,231)	99,988,422	128,043,653
Other financing sources (uses):				
Transfers in	851,460	958,052	829,044	(129,008)
Transfers out	(60,000)	(50,000)	(38,975)	11,025
Issuance of leases - GASB 87	-	-	20,289	20,289
Issuance of SBITA - GASB 96	-	-	1,956,402	1,956,402
Total other financing sources (uses)	791,460	908,052	2,766,760	1,858,708
Net change in fund balance	49,325,930	(27,147,179)	102,755,182	129,902,361
Fund balance, July 1, 2022	148,377,078	148,377,078	148,377,078	-
Fund balance, June 30, 2023	\$ 197,703,008	\$ 121,229,899	\$ 251,132,260	\$ 129,902,361

See accompanying note to required supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY
For the Year Ended June 30, 2023

	Last 10 Fiscal Years					
<u>District Plan</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB liability						
Service cost	\$ 8,248,940	\$ 8,373,741	\$ 8,664,761	\$ 9,270,874	\$ 10,201,241	\$ 6,634,962
Interest	4,813,224	5,237,728	5,314,183	4,849,425	4,261,303	6,029,166
Change in assumptions	(1,243,334)	2,451,108	13,488,823	6,792,464	(49,606,172)	(466,549)
Changes in benefit terms	-	8,293,042	-	-	-	-
Differences between expected and actual experience	-	-	(7,812,634)	(3,287,736)	(3,054,656)	(2,242,949)
Benefit payments	<u>(3,738,177)</u>	<u>(3,981,158)</u>	<u>(7,202,404)</u>	<u>(6,150,541)</u>	<u>(6,412,954)</u>	<u>(4,402,636)</u>
Net change in total OPEB liability	8,080,653	20,374,461	12,452,729	11,474,486	(44,611,238)	5,551,994
Total OPEB liability, beginning of year	<u>135,185,565</u>	<u>143,266,218</u>	<u>163,640,679</u>	<u>176,093,408</u>	<u>187,567,894</u>	<u>142,956,656</u>
Total OPEB liability, end of year	<u>\$ 143,266,218</u>	<u>\$ 163,640,679</u>	<u>\$ 176,093,408</u>	<u>\$ 187,567,894</u>	<u>\$ 142,956,656</u>	<u>\$ 148,508,650</u>
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

See accompanying note to required supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY
For the Year Ended June 30, 2023

<u>MPP Plan</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of the net OPEB liability	0.7082%	0.6653%	0.6069%	0.5348%	0.5371%	0.5200%
District's proportionate share of the net OPEB liability	\$ 2,979,411	\$ 2,546,469	\$ 2,260,138	\$ 2,266,217	\$ 2,142,445	\$ 1,713,042
District's covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%	0.40%	-0.80%	-0.71%	-0.80%	0.94%

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.

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

	State Teachers' Retirement Plan Last 10 Fiscal Years								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of the net pension	0.394%	0.415%	0.405%	0.391%	0.423%	0.393%	0.353%	0.302%	0.307%
District's proportionate share of the net net pension liability	\$ 229,996,406	\$ 279,234,412	\$ 327,893,539	\$ 361,756,779	\$ 388,817,000	\$ 354,655,000	\$ 341,951,000	\$ 137,497,000	\$ 213,297,000
State's proportionate share of the net pension liability associated with the	<u>138,881,760</u>	<u>147,684,222</u>	<u>186,663,943</u>	<u>214,012,254</u>	<u>222,617,000</u>	<u>193,489,000</u>	<u>186,874,000</u>	<u>81,808,000</u>	<u>120,561,000</u>
Total net pension liability	<u>\$ 368,878,166</u>	<u>\$ 426,918,634</u>	<u>\$ 514,557,482</u>	<u>\$ 575,769,033</u>	<u>\$ 611,434,000</u>	<u>\$ 548,144,000</u>	<u>\$ 528,825,000</u>	<u>\$ 219,305,000</u>	<u>\$ 333,858,000</u>
District's covered payroll	\$ 177,278,733	\$ 190,006,892	\$ 198,562,171	\$ 208,093,887	\$ 225,198,000	\$ 219,700,000	\$ 207,702,000	\$ 198,611,000	\$ 207,516,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	129.74%	146.96%	165.13%	173.84%	172.66%	161.43%	164.64%	69.23%	102.79%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.00%	69.00%	71.00%	72.56%	71.82%	87.21%	81.20%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

Public Employer's Retirement Fund B Last 10 Fiscal Years									
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of the net pension	0.600%	0.600%	0.600%	0.599%	0.610%	0.556%	0.511%	0.498%	0.485%
District's proportionate share of the net pension liability	\$ 68,138,218	\$ 88,370,365	\$ 118,397,673	\$ 143,033,688	\$ 162,597,000	\$ 162,106,000	\$ 156,903,000	\$ 101,297,000	\$ 166,942,000
District's covered payroll	\$ 63,027,229	\$ 65,725,707	\$ 68,973,791	\$ 74,308,504	\$ 80,435,000	\$ 78,261,000	\$ 74,096,000	\$ 72,192,000	\$ 74,766,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.11%	134.45%	171.66%	192.49%	202.15%	207.14%	211.76%	140.32%	223.29%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	74.00%	72.00%	71.00%	70.05%	70.00%	80.97%	69.76%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

	State Teachers' Retirement Plan Last 10 Fiscal Years									
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Contractually required contribution	\$ 16,872,612	\$ 21,305,721	\$ 26,178,211	\$ 32,674,329	\$ 35,767,159	\$ 35,516,984	\$ 32,075,715	\$ 35,111,769	\$ 42,925,652	
Contributions in relation to the contractually required contribution	<u>(16,872,612)</u>	<u>(21,305,721)</u>	<u>(26,178,211)</u>	<u>(32,674,329)</u>	<u>(35,767,159)</u>	<u>(35,516,984)</u>	<u>(32,075,715)</u>	<u>(35,111,769)</u>	<u>(42,925,652)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 190,006,892	\$ 198,562,171	\$ 208,093,887	\$ 225,198,000	\$ 219,700,000	\$ 207,702,000	\$ 198,611,000	\$ 207,516,000	\$ 224,742,000	
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*	16.15%**	16.92%***	19.10%	

All years prior to 2015 are not available.

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

*** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB 90.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 7,736,573	\$ 8,171,325	\$ 10,319,965	\$ 12,568,578	\$ 14,135,439	\$ 14,612,457	\$ 14,943,649	\$ 17,128,812	\$ 21,177,847
Contributions in relation to the contractually required contribution	<u>(7,736,573)</u>	<u>(8,171,325)</u>	<u>(10,319,965)</u>	<u>(12,568,578)</u>	<u>(14,135,439)</u>	<u>(14,612,457)</u>	<u>(14,943,649)</u>	<u>(17,128,812)</u>	<u>(21,177,847)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 65,725,707	\$ 68,973,791	\$ 74,308,504	\$ 80,435,000	\$ 78,261,000	\$ 74,096,000	\$ 72,192,000	\$ 74,766,000	\$ 83,476,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.91%	18.06%	19.72%	20.70%	22.91%	25.37%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund is presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability and Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program: The Schedule of Changes in total OPEB liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Contributions: The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The District's Plan Total OPEB Liability determined by the actuarial valuation as of June 30, 2018 used a discount rate of 3.50%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2019 used a discount rate of 3.15%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2020 used a discount rate of 2.66%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2021 used a discount rate of 2.19%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2022 used a discount rate of 4.09%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2023 used a discount rate of 4.13%

The MPP Program Total OPEB Liability determined by the actuarial valuation as of June 30, 2017 used a discount rate of 3.58%. Total OPEB Liability determined by the actuarial valuation as of June 30, 2018 used a discount rate of 3.87%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2019 used a discount rate of 3.50%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2021 used a discount rate of 2.21%.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) plan were 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

The inflation rates used for the PERF B plan were 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>							
	As of June 30, <u>2022</u>	As of June 30, <u>2021</u>	As of June 30, <u>2020</u>	As of June 30, <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

SWEETWATER UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total
ASSETS									
Cash and investments:									
Cash in County Treasury	\$ -	\$ 12,386,152	\$ 10,532,652	\$ 3,583,480	\$ 6,757,593	\$ 30,115,303	\$ 8,424,596	\$ 44,104,081	\$ 115,903,857
Cash on hand and in banks	3,243,439	-	2,408,160	-	-	-	-	-	5,651,599
Revolving	-	-	14,501	-	-	-	-	-	14,501
Receivables	-	1,400,937	2,570,983	8,910	16,735	95,694	65,781	-	4,159,040
Leases receivable	-	-	-	-	-	-	546,036	-	546,036
Due from other funds	-	6,867	25,685	1,880	121,775	-	1,377,656	-	1,533,863
Stores inventory	-	-	191,074	-	-	-	-	-	191,074
Other current assets	396,895	-	-	-	-	-	-	-	396,895
Total assets	<u>\$ 3,640,334</u>	<u>\$ 13,793,956</u>	<u>\$ 15,743,055</u>	<u>\$ 3,594,270</u>	<u>\$ 6,896,103</u>	<u>\$ 30,210,997</u>	<u>\$ 10,414,069</u>	<u>\$ 44,104,081</u>	<u>\$ 128,396,865</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 172,875	\$ 1,965,967	\$ 686,360	\$ 383,956	\$ 378,861	\$ 114,841	\$ 416,142	\$ -	\$ 4,119,002
Due to other funds	-	803,052	326,831	-	114,081	-	5,000	-	1,248,964
Unearned Revenue	-	-	89,325	-	-	-	-	-	89,325
Total liabilities	<u>172,875</u>	<u>2,769,019</u>	<u>1,102,516</u>	<u>383,956</u>	<u>492,942</u>	<u>114,841</u>	<u>421,142</u>	<u>-</u>	<u>5,457,291</u>
Deferred Inflow s of Resources									
Deferred inflow s of resources - leases	-	-	-	-	-	-	539,084	-	539,084
Fund balances:									
Nonspendable	-	-	205,575	-	-	-	-	-	205,575
Restricted	3,467,459	11,024,937	14,434,964	-	6,403,161	30,096,156	9,453,843	44,104,081	118,984,601
Committed	-	-	-	3,210,314	-	-	-	-	3,210,314
Total fund balance	<u>3,467,459</u>	<u>11,024,937</u>	<u>14,640,539</u>	<u>3,210,314</u>	<u>6,403,161</u>	<u>30,096,156</u>	<u>9,453,843</u>	<u>44,104,081</u>	<u>122,400,490</u>
Total liabilities and fund balances	<u>\$ 3,640,334</u>	<u>\$ 13,793,956</u>	<u>\$ 15,743,055</u>	<u>\$ 3,594,270</u>	<u>\$ 6,896,103</u>	<u>\$ 30,210,997</u>	<u>\$ 10,414,069</u>	<u>\$ 44,104,081</u>	<u>\$ 128,396,865</u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Total
Revenues:									
Local Control Funding Formula (LCFF):									
Local Sources	\$ -	\$ -	\$ -	\$ 3,500,000	\$ -	\$ -	\$ -	\$ -	\$ 3,500,000
Total LCFF	-	-	-	3,500,000	-	-	-	-	3,500,000
Federal sources	-	1,059,990	11,906,591	-	-	-	-	-	12,966,581
Other state sources	-	17,427,388	7,573,905	-	-	1,659,386	-	256,593	26,917,272
Other local sources	4,289,809	196,763	71,242	(70,819)	3,735,331	560,479	2,755,300	46,846,361	58,384,466
Total revenues	4,289,809	18,684,141	19,551,738	3,429,181	3,735,331	2,219,865	2,755,300	47,102,954	101,768,319
Expenditures:									
Current:									
Certificated salaries	-	5,941,383	-	-	-	-	-	-	5,941,383
Classified salaries	-	2,541,671	5,318,424	-	-	-	-	-	7,860,095
Employee benefits	-	4,041,767	2,308,167	-	-	-	-	-	6,349,934
Books and supplies	2,906,236	2,344,361	5,780,053	-	64,852	-	-	-	11,095,502
Contract services and operating expenditures	1,453,118	808,424	424,143	43,537	2,862,108	469,767	398,457	-	6,459,554
Capital outlay	-	118,450	-	376,000	369,668	1,251,158	128,259	-	2,243,535
Other Outgo	-	783,067	-	-	-	-	-	-	783,067
Debt Service:									
Principal retirement	-	-	1,781	-	-	-	1,646,494	11,318,568	12,966,843
Interest	-	-	-	-	-	-	475,750	22,787,348	23,263,098
Total expenditures	4,359,354	16,579,123	13,832,568	419,537	3,296,628	1,720,925	2,648,960	34,105,916	76,963,011
(Deficiency) excess of revenues									
(under) over expenditures	(69,545)	2,105,018	5,719,170	3,009,644	438,703	498,940	106,340	12,997,038	24,805,308
Other financing sources (uses):									
Transfers in	-	-	-	39,649	-	-	-	-	39,649
Transfers out	-	(715,637)	-	-	(114,081)	-	-	-	(829,718)
All Other Financing Sources	-	-	-	-	-	-	-	4,457,330	4,457,330
Total other financing sources (uses)	-	(715,637)	-	39,649	(114,081)	-	-	4,457,330	3,667,261
Net change in fund balances	(69,545)	1,389,381	5,719,170	3,049,293	324,622	498,940	106,340	17,454,368	28,472,569
Fund balance, July 1, 2022	3,537,004	9,635,556	8,921,369	161,021	6,078,539	29,597,216	9,347,503	26,649,713	93,927,921
Fund balance, June 30, 2023	\$ 3,467,459	\$ 11,024,937	\$ 14,640,539	\$ 3,210,314	\$ 6,403,161	\$ 30,096,156	\$ 9,453,843	\$ 44,104,081	\$ 122,400,490

SWEETWATER UNION HIGH SCHOOL DISTRICT
ORGANIZATION
For the Year Ended June 30, 2023

Sweetwater Union High School District was organized in 1921 and consists of an area comprising approximately 153 square miles. The District operates eleven middle schools, twelve high schools, one continuation high school, four adult schools, and four alternative education schools. There were no changes to the District's boundaries during the current year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Nicholas Segura	President	2024
Dr. Adrián Arancibia	Vice President	2024
Arturo Solis	Member	2026
Marti Emerald	Member	2026
Elva Lopez-Zepeda	Member	2026

ADMINISTRATION

Dr. Moisés Aguirre
Superintendent

Ms. Anna Pedroza
Assistant Superintendent of Human Resources

Dr. Vernon Moore
Assistant Superintendent of Educational Equity and Support Services

Dr. Ana Maria Alvarez
Assistant Superintendent, Teaching and Learning

Dr. Jenny Salkeld
Chief Financial Officer

Dr. Daniel Winters
Assistant Superintendent of Improvement and Innovation

Ms. Janea Quirk
Assistant Superintendent Facilities and Operations Officer

Ms. Jennifer Carbuccia
General Counsel

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2023

	<u>Second Period Report</u>	<u>Annual Report</u>
Certificate #	78B520CB	5BF6DBC3
Seventh through Eighth:		
Regular ADA	8,729	8,701
Extended Year Special Education	1	41
Special Education	10	10
Community Day School	<u>9</u>	<u>10</u>
Total Seventh through Eighth	<u>8,749</u>	<u>8,762</u>
Ninth through Twelfth		
Regular ADA	23,795	23,671
Extended Year Special Education	9	9
Special Education	49	49
Community Day School	<u>23</u>	<u>23</u>
Total Ninth through Twelfth	<u>23,876</u>	<u>23,752</u>
District Total	<u><u>32,625</u></u>	<u><u>32,514</u></u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2023

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2022-2023 Actual Minutes</u>	<u>Number of Days</u>	<u>Status</u>
Grade 7	54,000	58,503	180	In Compliance
Grade 8	54,000	58,503	180	In Compliance
Grade 9	64,800	65,593	180	In Compliance
Grade 10	64,800	65,593	180	In Compliance
Grade 11	64,800	65,593	180	In Compliance
Grade 12	64,800	65,593	180	In Compliance

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through the California</u>			
<u>Department of Education</u>			
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education	14508	\$ 544,180
84.002	Adult Education: Adult Secondary Education	13978	376,230
84.002A	Adult Education: English Literacy & Civics Education	14109	139,580
	Subtotal Adult Education Programs		<u>1,059,990</u>
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	10,052,570
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611, Private School ISPs	10115	7,034
84.027	Special Education: IDEA Basic Local Assistance Private School ISP	10169	1,162
84.027	Special Education: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	15638	1,394,547
84.027A	Special Education: IDEA Mental Health Average Daily Attendance Allocation, Part B, Section 611	15197	498,449
	Subtotal Special Education Cluster		<u>11,953,762</u>
	Title I Programs:		
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	10,041,995
84.010	ESEA: ESSA School Improvement (CSI) Funding	15438	544,016
	Subtotal Title I Programs		<u>10,586,011</u>
	COVID-19: Education Stabilization Fund (ESF) Programs:		
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund I	15536	3,575
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund II	15547	21,665,858
84.425C	COVID-19: Governor's Emergency Education Relief Fund (GEER): Learning Loss Mitigation	15517	(46,983)
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund III	15559	22,523,329
84.425U	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund III: Learning Loss	10155	1,440,371
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	15618	4,040,810
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: GEER II	15619	428,540
84.425	COVID-19: American Rescue Plan-Homeless Children and Youth (ARP-HCY) Program	15564	76,247
	Subtotal COVID-19: Education Stabilization Fund (ESF) Programs		<u>50,131,747</u>

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through the California</u>			
<u>Department of Education (Continued)</u>			
84.367	ESEA: Title II, Part A, Improving Teaching Quality Local Grants	14341	\$ 1,501,592
84.365	ESEA: Title III, English Learner Student Program	14346	871,177
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers (CCLC) - High School ASSETs	14535	1,756,606
84.424	ESEA (ESSA): Title IV, Part A, Student Support and Academic Enrichment Grants	15396	420,414
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	675,040
84.126	Workability II, Transition Partnership	10006	203,156
84.196	ESEA (ESSA): Education for Homeless Children and Youth, Subtitle VII-B McKinney-Vento Act	14332	40,983
	Total U.S. Department of Education		<u>79,200,478</u>
<u>U.S. Department of Agriculture - Passed Through the California</u>			
<u>Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: National School Lunch Program	13396	10,495,403
10.555	Donated commodities	13396	29,804
10.555	Supply Chain Assistance (SCA) Funds	13004	878,381
	Subtotal Child Nutrition Cluster		<u>11,403,588</u>
	CACFP Program:		
10.558	CACFP COVID-19 Emergency Operational Costs Reimbursement (ECR)	15577	88,947
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	203,836
	Subtotal CACFP Program		<u>292,783</u>
	Total U.S. Department of Agriculture		<u>11,696,371</u>
<u>U.S. Department of Defense - Passed Through the California</u>			
<u>Department of Education</u>			
12.556	Department of Defense - Promoting K-12 Student Achievement at Military-Connected Schools	N/A	387,494
12.000	Junior ROTC	N/A	260,904
	Total U.S. Department of Defense		<u>648,398</u>
<u>Federal Communications Commission - Passed Through the California</u>			
<u>Department of Education</u>			
32.009	The Emergency Connectivity Fund	N/A	2,053,666
	Total Federal Programs		<u>\$ 93,598,913</u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

There are no adjustments to fund balance for any funds of the District.

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2023
(UNAUDITED)

	(Adopted Budget) 2024	2023	2022	2021
<u>General Fund</u>				
Revenues and other financing sources	\$ 605,223,524	\$ 668,389,037	\$ 557,308,355	\$ 523,205,011
Expenditures	629,688,179	565,594,880	494,150,169	465,487,592
Other uses and transfers out	<u>50,000</u>	<u>38,975</u>	<u>21,277</u>	<u>37,038</u>
Total outgo	<u>629,738,179</u>	<u>565,633,855</u>	<u>494,171,446</u>	<u>465,524,630</u>
Change in fund balance	<u>\$ (24,514,655)</u>	<u>\$ 102,755,182</u>	<u>\$ 63,136,909</u>	<u>\$ 57,680,381</u>
Ending fund balance	<u>\$ 226,617,605</u>	<u>\$ 251,132,260</u>	<u>\$ 148,377,078</u>	<u>\$ 85,240,169</u>
Available reserves	<u>\$ 12,583,704</u>	<u>\$ 11,258,850</u>	<u>\$ 9,869,849</u>	<u>\$ 9,302,922</u>
Designated for economic uncertainties	<u>\$ 12,583,704</u>	<u>\$ 11,258,850</u>	<u>\$ 9,869,849</u>	<u>\$ 9,302,922</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 1,206,788,933</u>	<u>\$ 1,245,316,759</u>	<u>\$ 894,691,986</u>	<u>\$ 1,242,140,732</u>
Average daily attendance at P-2	<u>32,549</u>	<u>32,625</u>	<u>32,768</u>	<u>36,360</u>

The General Fund balance has increased by \$223,572,472 over the past three fiscal years. The District's budget projects an decrease of \$24,514,655 for the year ending June 30, 2024 primarily due to utilizing the carryover balance of the LCAP. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses be maintained. The District has met this requirement.

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit for the fiscal year ending June 30, 2024.

Total long-term liabilities have increased by \$3,176,027 over the past two years.

Average daily attendance has decreased by 3,735 over the past two years. This decrease is primarily driven by the COVID-19 pandemic. An decrease in 76 ADA is anticipated during the fiscal year ending June 30, 2024 as the District is moving towards stabilization.

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2023

<u>Charter ID</u>	<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
0303	The Metropolitan Area Advisory Committee (MAAC) Community Charter School	Separate Report
1407	Hawking S.T.E.A.M Charter School	Separate Report

SWEETWATER UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance: Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time: The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

Schedule of Expenditures of Federal Awards: The Schedule of Expenditures of Federal Awards includes the federal award activity of Sweetwater Union High School District and is presented on the accrual basis of accounting. The information in this schedule 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). Expenditures are recognized following, as applicable contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2023-2024 fiscal year, as required by the State Controller's Office.

Schedule of Charter Schools: This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosures in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2023, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Sweetwater Union High School District
Chula Vista, California

Report on Compliance***Qualified Opinion on State Compliance***

We have audited Sweetwater Union High School District's (the District) compliance with the requirements specified in the State of California *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the District complied, in all material respects, with the compliance requirements that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Qualified 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, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matters Giving Rise to Qualified Opinion on State Compliance

As described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004, 2023-005, 2023-006 and 2023-007, the District did not comply with requirements regarding Attendance, Independent Study, After/Before School Education and Safety Program and Unduplicated Local Control Funding Formula Pupil Counts, respectively. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

(Continued)

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 state 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 consider 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>2022-23 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
<i>Local Education Agencies Other than Charter Schools:</i>	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	N/A, see below
D. Independent Study	Yes
E. Continuation Education	Yes
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratio of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	N/A, see below
K. Gann Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	N/A, see below
N. Middle or Early College High Schools	N/A, see below
O. K-3 Grade Span Adjustment	N/A, see below

(Continued)

P. Transportation Maintenance of Effort	Yes
Q. Apprenticeship: Related and Supplemental Instruction	N/A, see below
R. Comprehensive School Safety Plan	Yes
S. District of Choice	N/A, see below
TT. Home to School Transportation Reimbursement	Yes
UU. Independent Study Certification for ADA Loss Mitigation	Yes

School Districts, County Offices of Education, and Charter Schools:

T. California Clean Energy Jobs Act	N/A, see below
U. After/Before School Education and Safety Program	Yes
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study – Course-Based	N/A, see below
Z. Immunizations	Yes
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ. Career Technical Education Incentive Grant	Yes
EZ. Transitional Kindergarten	N/A, see below

Charter Schools:

AA. Attendance	N/A, see below
BB. Mode of Instruction	N/A, see below
CC. Nonclassroom-Based Instruction/Independent Study	N/A, see below
DD. Determination of Funding for Nonclassroom-Based Instruction	N/A, see below
EE. Annual Instructional Minutes-Classroom Based	N/A, see below
FF. Charter School Facility Grant Program	N/A, see below

The District did not operate elementary schools; therefore, we did not perform any testing of Kindergarten Continuance.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

We did not perform any procedures related to Juvenile Court Schools because the District does not operate any Juvenile Court Schools, as it is not a County Office.

The District does not operate Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not operate elementary schools; therefore, we did not perform any procedures related to K-3 Grade Span Adjustment.

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction because the District did not operate this program in the current year.

The District is not reported as a District of Choice per the California Department of Education, therefore we did not perform any procedures related to District of Choice.

We did not perform any procedures related to California Clean Energy Jobs Act because the district did not expend any funds related to this program in the current year.

The District did not offer an Independent Study-Course Based program, therefore, we did not perform any procedures related to this program.

The District did not operate elementary schools; therefore, we did not perform any testing of Transitional Kindergarten.

(Continued)

The District does not operate any charter schools; therefore, we did not perform any of the testing related to charter schools.

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

Other Matter

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

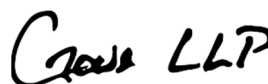
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness 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 a material noncompliance with compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-006 and 2023-007 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 findings identified in our 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Sacramento, California
December 6, 2023

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

Board of Trustees
Sweetwater Union High School District
Chula Vista, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sweetwater Union High School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Sweetwater Union High School District's basic financial statements, and have issued our report thereon dated December 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sweetwater Union High School 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 Sweetwater Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sweetwater Union High School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as findings 2023-001 and 2023-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sweetwater Union High School 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*.

Sweetwater Union High School District Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Sweetwater Union High School District's responses to the findings identified in our audit and described in the accompanying schedule of Audit Findings and Questioned Costs. Sweetwater Union High School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Crowe LLP

Sacramento, California
December 6, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Sweetwater Union High School District
Chula Vista, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Sweetwater Union High School District's 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 Sweetwater Union High School District's major federal program for the year ended June 30, 2023. Sweetwater Union High School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sweetwater Union High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sweetwater Union High School 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 Sweetwater Union High School 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 Sweetwater Union High School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

(Continued)

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

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

A handwritten signature in black ink that reads "Crowe LLP". The word "Crowe" is written in a cursive script, and "LLP" is written in a bold, sans-serif font.

Crowe LLP

Sacramento, California
December 6, 2023

FINDINGS AND RECOMMENDATIONS

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> None reported

Noncompliance material to financial statements noted?

<u> </u> Yes	<u> X </u> No
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported

Type of auditors' report issued on compliance for major programs: Unmodified

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

<u> </u> Yes	<u> X </u> No
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Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.425C, 84.425U	COVID-19: Education Stabilization Fund (ESF) Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$2,807,967

Auditee qualified as low-risk auditee?

<u> </u> Yes	<u> X </u> No
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STATE AWARDS

Type of auditors' report issued on compliance for state programs: Qualified

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001 – SIGNIFICANT DEFICIENCY – FINANCIAL REPORTING (30000)

Criteria: Timely and accurate balance sheet account reconciliation preparation and review are a prudent and necessary practice of normal business operations. All accounts reconciliations are an important function of cash monitoring and financial reporting.

Condition: The limitations of the District's financial system, TrueCourse, has allowed for susceptibility of misstatements in the financial statements. The District management has implemented manual controls to include monthly account reconciliations and manual review of journal entries to compensate for these weaknesses however, these processes are still manual and therefore susceptible to error.

Cause: The District's financial system does not provide a robust framework that an entity and budget of this size would require. The limited report writing functions as well as the ability to post unapproved entries, unbalanced entries and post into prior fiscal years created much susceptibility to misstatement.

Effect: Because the financial system is limited, compensating controls are put into place. However, these controls are manual in nature and therefore, cause the financials to be susceptible to errors which may not be detected in a timely manner.

Recommendation: This is a repeat finding of Finding 2022-001. We recommend the District continue the preparation of Cash in County Treasury, Cash in Bank, Accounts Receivable and Accounts Payable reconciliations on a monthly basis. We also recommend the reconciliations be reviewed by an individual independent of the reconciliation process. Additionally, we recommend that journal entries be reviewed on a monthly basis by an individual independent of preparing and posting.

Views of Responsible Officials and Planned Corrective Action: The management team recognizes the importance of preparing and reviewing bank statements on a regular and timely basis. The management team has been working closely with staff since the 2018-19 audit period to ensure that bank reconciliations are prepared timely by staff and reviewed by management monthly. To ensure financial information is presented accurately and completely, management reviews the details of the reconciliations and confirm that reconciling items are cleared within a reasonable timeframe.

As the District migrates to the new Infor financial system in fiscal year 2023-24, processes will be evaluated so automation can be implemented to provide proper segregation of duties. Additionally, new reporting capabilities will expedite the bank and balance sheet reconciliation processes.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2023-002 DEFICIENCY – INTERNAL CONTROL – CYBERSECURITY POLICY (30000)

Criteria: Internal Controls are to be an integral part of any organization's financial and business policies and procedures. Internal controls consist of all the measures taken by the organization for the purpose of; (1) protecting its resources against waste, fraud, and inefficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with the policies of the organization; and (4) evaluating the level of performance in all organizational units of the organization.

Condition: The District has not formalized a cybersecurity policy to include District policies surrounding cybersecurity threats and risk assessment procedures.

Context: We performed internal control inquiries surrounding the cybersecurity risks associated with the District.

Effect: Internal controls policies and procedures are not properly documented.

Cause: Adequate internal control procedures have not been established and documented.

Recommendation: We recommend that the District formalize a comprehensive cybersecurity policy to include risk assessment of response to and mitigation of cybersecurity threats.

Views of Responsible Officials and Planned Corrective Action: The District is currently working on applying Cybersecurity measures like multi-factor authentication, network segmentation and password vaulting. The District is working with CyberCatch, a third party, to develop an official cybersecurity policy to submit to the Board no later than July 2024.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2023-003 – SIGNIFICANT DEFICIENCY – SALARIED EMPLOYEE PAYROLL (30000)

Criteria: Internal control surrounding financial statements accounts with significant activity and/or ending balance is critical in ensuring proper transactions and accurate balances have been reported in the financial statements. Salaried employee's payroll accounted for almost 67% of the District's total governmental funds expenditures during fiscal year 2022-23.

Condition: The District does not have evidence to support the review and approval of the payroll registers prior to upload to the SDCOE system. In addition, changes and updates that are made undergoes a manual process due to the limitation of the District's financial system.

Cause: The District's payroll manager reviewed the payroll records as transactions occurred, however there was not a procedure in place for review and approval when the payroll batch was finalized and when they are uploaded to the SDCOE system for payment processing. Due to the limitations of the TrueCourse financial system, the District is limited in the compensating controls that are possible to be put into place.

Effect: Payroll transactions which have not been reviewed could be recorded incorrectly, and not corrected in a timely manner. There is also a risk that a fictitious employee within the District's payroll may exist and not be detected. This lack of internal controls could lead to the misstatement of the financial statements of the District.

Recommendation: This is a repeat finding of Finding 2022-002. We recommend implementing the use of a robust financial system to track the payroll transactions in a more automated process to allow for a more streamlined control structure to mitigate susceptibility to error.

Views of Responsible Officials and Planned Corrective Action: The Payroll Manager worked with the TrueCourse consultant to develop tracking of changes to timesheets within the TrueCourse business system. Prior to this, paper copies were kept of all changes being made to TrueCourse and where all approvals are maintained. Payroll staff is able to make comments on a timesheet within TrueCourse noting any changes or updates that were made to that timesheet. The comments can then be reported on and will be retained in the TrueCourse system. As the District transitions to the new Infor system, it will provide the opportunity for more accountability, structure, and reporting.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023-004 DEFICIENCY – STATE COMPLIANCE – ATTENDANCE (10000)

Criteria: Education Code Section 41601. For purposes of this chapter, the governing board of each school district shall report to the Superintendent during each fiscal year the average daily attendance of the school district for all full school months during (1) the period between July 1 and December 31, inclusive, to be known as the “first period” report for the first principal apportionment, and (2) the period between July 1 and April 15, inclusive, to be known as the “second period” report for the second principal apportionment. Each county superintendent of schools shall report the average daily attendance for the schools and classes maintained by the county superintendent of schools and the average daily attendance for the county school tuition fund. Each report shall be prepared in accordance with instructions on forms prescribed and furnished by the Superintendent.

Condition: The District excluded Independent Study ADA from the “B-1” Line item in the “Other” section on the District-wide Second Period and Annual Reports of Attendance for the year ended June 30, 2023.

Context: We performed the audit procedures enumerated in the State of California *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The District is not in compliance with Education Code section 41601.

Cause: This was caused by a clerical error.

Fiscal Impact: Not applicable.

Recommendation: The District should ensure ADA is reported on the proper line items in the Second Period Report.

Views of Responsible Officials and Planned Corrective Action: The District confirmed with the California Department of Education they would be able to make corrections during the next correction period starting in February 2024.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

2023-005 DEFICIENCY – STATE COMPLIANCE – INDEPENDENT STUDY (40000)

Criteria: Pursuant to Education Code 51747, no days of attendance are to be reported for dates prior to the signing of the independent study agreement by all parties.

Condition: At Eastlake High School, one student held a short-term independent study agreement from 7/21/22 – 7/29/22, however attendance was claimed from 7/21/22 – 8/5/22, 5 days passed the agreed upon contract dates.

Context: We performed the audit procedures enumerated in the State of California 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting and identified the finding described above.

Effect: The District is out of compliance with state requirements.

Cause: The District claimed attendance for student outside of the contract period of the independent study master agreement.

Fiscal impact: The effect of this finding is an overstatement of 0.05 ADA in Grade Span 7-8 and 0.04 ADA in Grade Span 9-12 or approximately \$1,140.

Recommendation: The District should ensure independent study ADA is not claimed until an independent study contract is completed by all required parties.

Views of Responsible Officials and Planned Corrective Action: The Assistant Principal overseeing attendance will meet with attendance team to ensure all short-term independent study procedures are followed and will include specifically:

- If a student's short term independent study contract needs to be extended, the attendance technician will need approval from the Attendance Coordinator and/or administrator. The box marked Amended Master Agreement must be checked and the master agreement will be updated with the revised dates.
- The Attendance Coordinator or administrator will include email or written correspondence with parent regarding the reason for the extension to attach to the master agreement.
- The Assistant Principal will contact the family and the attendance team to determine if long-term Independent Study should be considered for the student. Administrators from Student Support Services will review these cases to facilitate the transfer to long-term Independent Study, if necessary.

Student Attendance will not be revised prior to the completion of the of the entire short-term independent study contract.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

2023-006 MATERIAL WEAKNESS – STATE COMPLIANCE – AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM (40000)

Criteria: Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition: At Chula Vista Middle School, during the Before and After School Program, on two dates selected for testing, the supporting documentation did not agree to the attendance report for that day. On September 6, 2022, the attendance system reported 181 pupils served (after school) and 46 pupils served (before school) however the supporting documentation showed 173 pupil served (after school) and 49 pupil served (before school). On October 13, 2022, the scanned attendance reported 154 pupils served (after school) and 47 pupils served (before school) however the supporting documentation showed 153 pupils served (after school) and 49 pupils served (before school).

Context: We performed the audit procedures enumerated in the State of California *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The effect of this finding is an overstatement of 9 days for the District's After School program, and an understatement of 5 days for the District's Before School program.

Cause: The errors were the result of clerical errors in accounting for attendance.

Fiscal impact: Not determinable.

Recommendation: This is a repeat finding. The District should enforce controls to ensure accurate accounting for attendance.

Views of Responsible Officials and Planned Corrective Action: The District will continue to support all supervisors and continuously review their Daily Attendance Count Forms to ensure the accuracy of their Monthly Attendance Reconciliation Sheet. These internal processes will give the District the opportunity to have multiple checks and balances on the daily attendance and correlate it to their monthly attendance to catch minor human errors. Additionally, the District will continue to visit sites on a weekly basis and observe attendance process and procedures to ensure all staff understands and follows them to minimize human errors.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

2023-007 MATERIAL WEAKNESS – STATE COMPLIANCE – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Any student who meets the federal income eligibility criteria or is deemed to be categorically eligible for FRPM under the National School Lunch Program (NSLP) will be counted as FRPM-eligible. Except for directly certified and foster students identified through a statewide match, LEAs must submit the appropriate student program (SPRG) records to CALPADS in order for the students to be counted as FRPM-eligible. Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503, 2574(b)(3)(C), 44238.02(b)(3)(B), and 41020, Education Code.

Condition: At National City Middle School, it was noted that 3 students were improperly included in the Free and Reduced Meal Program. The error impact was limited to the one school site as the District's reporting process is decentralized and each site is specifically responsible to gather the data necessary.

Unduplicated pupil count based on:	<u>Enrollment</u>	<u>FRPM</u>	<u>Sweetwater Union High School District</u>		<u>TOTAL</u>
			<u>ELAS</u>	<u>Both</u>	
As certified on CALPADS	36,109	16,073	1,562	6,532	24,167
Audit Adjustments		(62)	-	-	(62)
Adjusted Counts		16,011	1,562	6,532	24,105

Unduplicated pupil count based on:	<u>Enrollment</u>	<u>FRPM</u>	<u>National City Middle School</u>		<u>TOTAL</u>
			<u>ELAS</u>	<u>Both</u>	
As certified on CALPADS	698	431	9	219	659
Audit Adjustments		(62)	-	-	(62)
Adjusted Counts		369	9	219	597

Context: We performed the audit procedures enumerated in the State of California 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified an initial error.

Effect: The District is out of compliance with state requirements.

Cause: The errors were the result of clerical errors in accounting for unduplicated pupil counts.

Fiscal Impact: The School District Unduplicated Pupil Percentage for Sweetwater Union High School District was originally reported at 63.88% and the revised School District Unduplicated Pupil Percentage is reported at 63.82%; the fiscal impact is a reduction of LCFF revenues of approximately \$194,624.

Recommendation: This is a repeat finding. The District should ensure that all students are properly reflected in the CALPADS reporting under the appropriate free or reduced-price meal program status.

(Continued)

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

**2023-007 MATERIAL WEAKNESS – STATE COMPLIANCE – UNDUPLICATED LOCAL CONTROL
FUNDING FORMULA PUPIL COUNTS (40000) (Continued)**

Views of Responsible Officials and Planned Corrective Action: The District will continue to support and train the school principals and staff in the collection and review of the alternative income forms. This will ensure accuracy that the data populated in the CALPADS reporting system meets the requirements of the free or reduced-price meal program.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2023

2022-001 – SIGNIFICANT DEFICIENCY – FINANCIAL REPORTING (30000)

Condition: The limitations of the District's financial system, TrueCourse, has allowed for susceptibility of misstatements in the financial statements. The District management has implemented manual controls to include monthly account reconciliations and manual review of journal entries to compensate for these weaknesses however, these processes are still manual and therefore susceptible to error. This is a repeat finding.

As a result of these manual processes, there was one error noted in the recording of the fair market value adjustment to the Cash in County Treasury balance in the Bond Interest and Redemption Fund due to a clerical error. An adjustment of \$608,000 was posted to properly state the adjustment as of June 30, 2022.

Recommendation: We recommend the District continue the preparation of Cash in County Treasury, Cash in Bank, Accounts Receivable and Accounts Payable reconciliations on a monthly basis. We also recommend the reconciliations be reviewed by an individual independent of the reconciliation process. Additionally, we recommend that journal entries be reviewed on a monthly basis by an individual independent of preparing and posting.

Current Status: Not implemented.

District Explanation if Not Implemented: See current year finding 2023-001.

2022-002 – SIGNIFICANT DEFICIENCY – SALARIED EMPLOYEE PAYROLL (30000)

Condition: The District does not have evidence to support the review and approval of the payroll registers prior to upload to the SDCOE system. In addition, changes and updates that are made undergoes a manual process due to the limitation of the District's financial system. This is a repeat finding.

Recommendation: We recommend implementing the use of a robust financial system to track the payroll transactions in a more automated process to allow for a more streamlined control structure to mitigate susceptibility to error.

Current Status: Not implemented.

District Explanation if Not Implemented: See current year finding 2023-003.

SWEETWATER UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2023

2022-003 DEFICIENCY – STATE COMPLIANCE – AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM (40000)

Condition: At Mar Vista Middle School, during the Before School Program, on two dates selected for testing, the supporting documentation did not agree to the attendance report for that day. On January 19, 2022, the attendance system reported 3 pupils served however the supporting documentation showed 2 pupil served. On February 22, 2022, the attendance system reported 2 pupils served however the supporting documentation showed 1 pupil served.

Recommendation: The District should enforce controls to ensure accurate accounting for attendance.

Current Status: Not implemented.

District Explanation if Not Implemented: See current year finding 2023-006.

2022-004 DEFICIENCY – STATE COMPLIANCE – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Condition: At Southwest High School, it was noted that 2 students were improperly included in the Free and Reduced Meal Program. The error impact was limited to the one school site as the District's reporting process is decentralized and each site is specifically responsible to gather the data necessary.

Unduplicated pupil count based on:	<u>Enrollment</u>	FRPM	<u>Sweetwater Union High School District</u>		TOTAL
			ELAS	Both	
As certified on CALPADS	36,557	15,205	1,753	6,300	23,258
Audit Adjustments		(67)	-	-	(67)
Adjusted Counts		15,138	1,753	6,300	23,191

Unduplicated pupil count based on:	<u>Enrollment</u>	FRPM	<u>Southwest High School</u>		TOTAL
			ELAS	Both	
As certified on CALPADS	1,625	837	57	581	1,475
Audit Adjustments		(67)	-	-	(67)
Adjusted Counts		770	57	581	1,408

Recommendation: The District should ensure that all students are properly reflected in the CALPADS reporting under the appropriate free or reduced-price meal program status.

Current Status: Not implemented.

District Explanation if Not Implemented: See current year finding 2023-007.