



See what's possible.

**SAN LUIS OBISPO COUNTY
COMMUNITY COLLEGE DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2023

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Luis Obispo County Community College District
San Luis Obispo, California

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 San Luis Obispo County Community College 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis section and unaudited supplementary information section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



San Diego, California
December 27, 2023



SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT

Build Your Future

INTRODUCTION

This introduction to the District-wide financial statements provides background information regarding the financial position and activities of the San Luis Obispo County Community College District - Cuesta College (the District) for the years ended June 30, 2023 and 2022. We encourage readers to consider the information presented in this Management's Discussion and Analysis in conjunction with the financial statements and accompanying notes to the financial statements.

Overview of the Government-Wide Basic Financial Statements

The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and State apportionment revenues. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District. The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the District-wide financial statements.

This Annual Report

This annual report consists of the following sections:

- Management's Discussion and Analysis (MD&A) utilizing a current year/prior year format;
- Government-Wide Basic Financial Statements, including required Notes to the Financial Statements; and
- Supplementary Information.

FINANCIAL HIGHLIGHTS

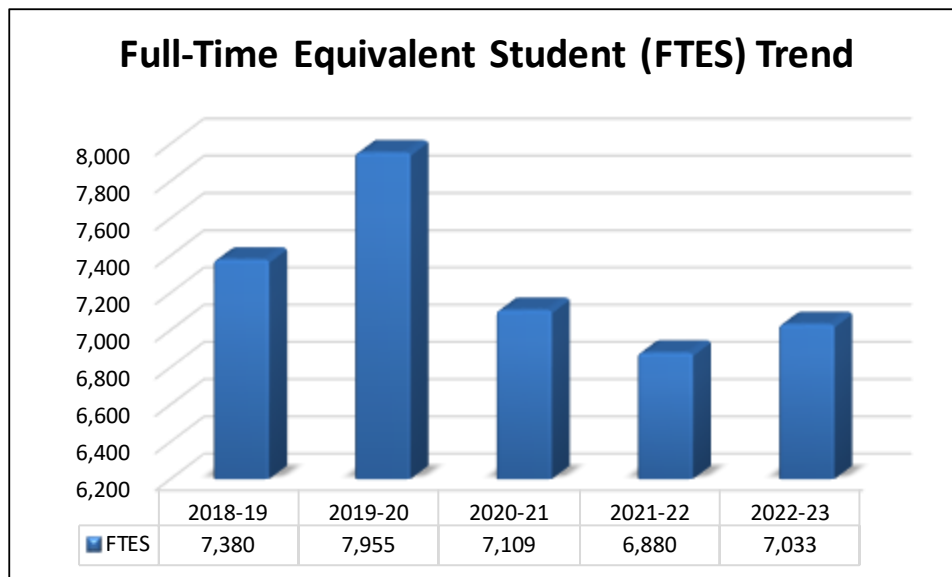
This section provides condensed information for each of the three basic financial statements, as well as illustrative charts, graphs, and tables.

Apportionment is the district's primary source of General Fund revenue. Through the 2017-2018 fiscal year, community colleges were funded under what was known as the SB 361 model. Each district received a base allocation grant for each college (amounts vary depending on the number of FTES) and state-approved centers within the district, but generated the majority of its general apportionment through the amount of FTES served (one rate for credit and enhanced noncredit and a lower rate for noncredit instruction). Since colleges earned additional funding primarily through increasing FTES, SB 361 was considered a growth model.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The 2018 Budget Act and corresponding trailer legislation enacted the Student-Centered Funding Formula (SCFF). The SCFF moves colleges away from a pure growth model to one based more on performance and student equity. Under the SCFF, approximately 70% of the system’s general apportionment funding will be based on FTES, with 10% based on various student success metrics (e.g., number of degree completions, transfers, certificates, success in transfer-level math and English courses, etc.) and 20% for a supplemental grant based on the number of disadvantaged students (Pell grant recipients, Promise grant recipients, and AB 540 students). Certain FTES (non-credit/CDCP, special admits, incarcerated) are excluded from the SCFF calculation and are funded as they were under the old model. Another notable difference from the old model is that FTES is calculated on a three-year average. Through the 2024-2025 academic year, the state guarantees a transitional “hold harmless” period, which means that no district will be funded at less than its 2017-2018 level of revenues as adjusted by the COLAs over that time.

The graph below depicts the District's five-year trend for FTES:



*The chart above shows actual FTES earned. For years 2018-19 through 2022-23, the District submitted the Emergency Conditions Allowance for COVID-19 that allows the District to elect 2019-20 P1 reported FTES for funding purposes only. The District’s 2019-20 P1 FTES was 8,090.

After the System Office calculates the District's base apportionment, it reduces the net amount to be distributed by the amount of property taxes, Prop 30 Education Protection Act funds, and enrollment fees expected to be paid directly to the District. The matrix below lists the four components and illustrates the net effect of the actual receipts for fiscal year 2022-23 as compared to fiscal year 2021-22:

	2023	2022	Difference
Property tax	\$ 51,103,923	\$ 47,334,479	\$ 3,769,444
Enrollment fees	3,307,114	3,457,699	(150,585)
Apportionment	349,892	540,433	(190,541)
Education Protection Account	10,527,856	5,137,796	5,390,060
Total	\$ 65,288,785	\$ 56,470,407	\$ 8,818,378

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CONDENSED DISTRICT-WIDE FINANCIAL INFORMATION IS AS FOLLOWS:

Condensed Statement of Net Position as of June 30, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022	Change
Current assets	\$ 153,847,579	\$ 134,580,937	\$ 19,266,642
Non-current assets	207,043,417	202,341,050	4,702,367
Deferred outflow of resources	19,636,134	13,791,281	5,844,853
Total Assets and Deferred Outflows of Resources	380,527,130	350,713,268	29,813,862
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	36,768,793	23,959,363	12,809,430
Non-current liabilities	228,548,262	216,628,799	11,919,463
Deferred inflows of resources	10,443,797	29,100,815	(18,657,018)
Total Liabilities and Deferred Inflows of Resources	275,760,852	269,688,977	6,071,875
NET POSITION			
Invested in capital assets, net of related debt	89,884,703	88,521,352	1,363,351
Restricted	35,954,581	28,605,526	7,349,055
Unrestricted	(21,073,006)	(36,102,587)	15,029,581
Total Net Position	\$ 104,766,278	\$ 81,024,291	\$ 23,741,987

The preceding schedule has been prepared from the District's Statement of Net Position (page 15) which is presented on the accrual basis of accounting whereby assets are capitalized and depreciated. Cash and investments (above) consist primarily of funds held in the San Luis Obispo County Treasury. A portion of the unrestricted net position has been designated by the Board or by contract for such purposes as Federal and State grants, and general reserves to ensure the ongoing financial health of the District.

Current assets increased by \$19,266,642 and non-current assets increased by \$4,702,367. The increase in current assets is mostly an increase in cash from State apportionments and local property taxes. The increase in non-current assets is due to completed and in progress work on capital projects.

Current liabilities increased by \$12,809,430 and non-current liabilities increased by \$11,931,607. This was due to the District's Measure L General Obligation Bond program debt service requirements and an increase in the net pension liability. The District made \$7,435,000 in debt service payments and the net pension liability went up by \$21,644,643. The bonds are repaid in annual installments, in accordance with the obligation requirements for each debt issuance, by way of property tax assessments on property within the District's boundaries. The District is also obligated to employees of the District for compensated absences, compensatory time, load banking benefits, PARS supplemental retirement plan, retiree health benefits, and pension liabilities. Notes 7, 8, and 10 in the financial statements provides additional information.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2023 and 2022

	2023	2022	Change
OPERATING REVENUES			
Tuition and fees (net)	\$ 8,319,671	\$ 7,422,800	\$ 896,871
Grants and contracts	15,451,687	23,116,112	(7,664,425)
Auxiliary enterprise sales, net	585,845	602,110	(16,265)
Total Operating Revenues	24,357,203	31,141,022	(6,783,819)
OPERATING EXPENSES			
Salaries and benefits	59,870,215	51,300,350	8,569,865
Supplies, materials, and other operating expenses	23,264,888	24,888,699	(1,623,811)
Financial aid	13,818,583	19,646,472	(5,827,889)
Depreciation and amortization	7,572,089	7,189,277	382,812
Total Operating Expenses	104,525,775	103,024,798	1,500,977
Operating Loss	(80,168,572)	(71,883,776)	(8,284,796)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	12,849,005	7,550,790	5,298,215
Local property taxes, noncapital	50,869,182	47,100,131	3,769,051
State taxes and other revenues, noncapital	5,619,005	3,784,659	1,834,346
Federal grants and contracts	13,249,911	19,631,587	(6,381,676)
Investment income	1,143,446	110,713	1,032,733
Other non-operating revenues	806,405	745,101	61,304
Total Non-Operating Revenues (Expenses)	84,536,954	78,922,981	5,613,973
OTHER REVENUES (EXPENSES)			
State apportionments, capital	7,957,550	3,706,079	4,251,471
Local property taxes and revenues, capital	14,859,193	13,952,365	906,828
Interest and investment income, capital	1,672,215	(2,280,187)	3,952,402
Interest expense and costs of issuing capital asset-related debt	(5,226,503)	(5,527,025)	300,522
Gain (loss) on disposal of asset	111,150	36,075	75,075
Total Other Revenue (Expenses)	19,373,605	9,887,307	9,486,298
Change in Net Position	23,741,987	16,926,512	6,815,475
NET POSITION -- BEGINNING OF YEAR	81,024,291	64,097,779	16,926,512
NET POSITION -- END OF YEAR	\$ 104,766,278	\$ 81,024,291	\$ 23,741,987

The schedule presented above has been prepared from the Statement of Revenues, Expenses, and Changes in Net Position. State general apportionment, while budgeted for operations, is considered nonoperating revenue according to the Governmental Accounting Standards Board's (GASB) prescribed reporting format. Grant and contracts revenue includes student financial aid, as well as specific Federal and State grants received for programs serving the students of the District.

Operating revenues decreased by \$6,783,819 from the prior year as a result of a combination of a net decrease in total grants and contracts revenue of \$7,664,425, offset by an increase of \$896,871 of net tuition and fees, and a decrease in internal service sales and charges of \$16,265. Most of the decrease in total grants was due to a decrease in funding related to the COVID-19 Higher Education Emergency Relief Funds. Total operating expenditures increased by \$1,513,121. Salaries and benefits increased by \$8,582,009 from salary improvements and increased pension costs.

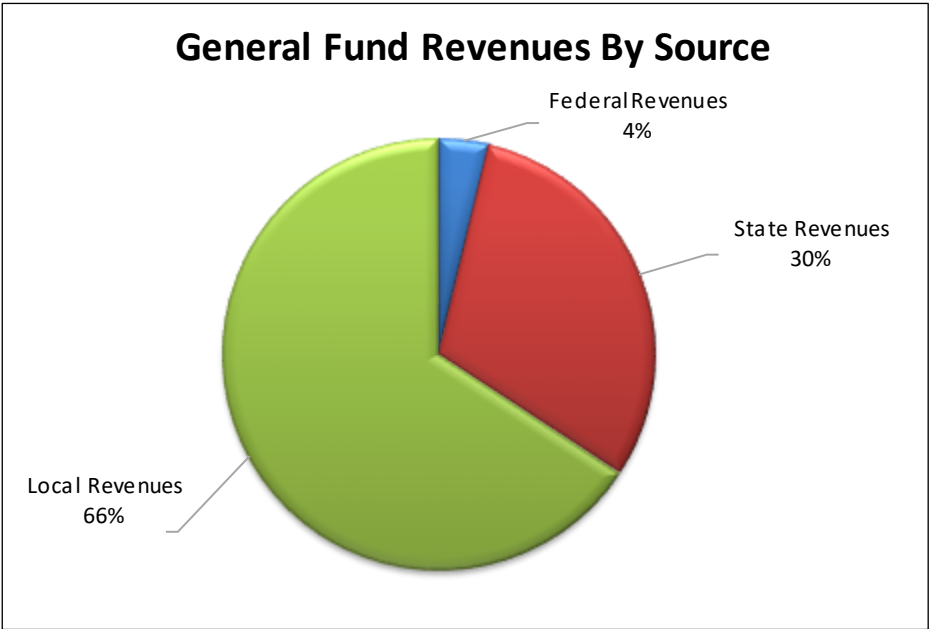
**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

General Fund

While this MD&A and the District-wide financial statements report the financial position and results of operations for the District as a whole, the following pie charts are intended to give the reader information specific to the General Fund.

General Fund Revenues by Source

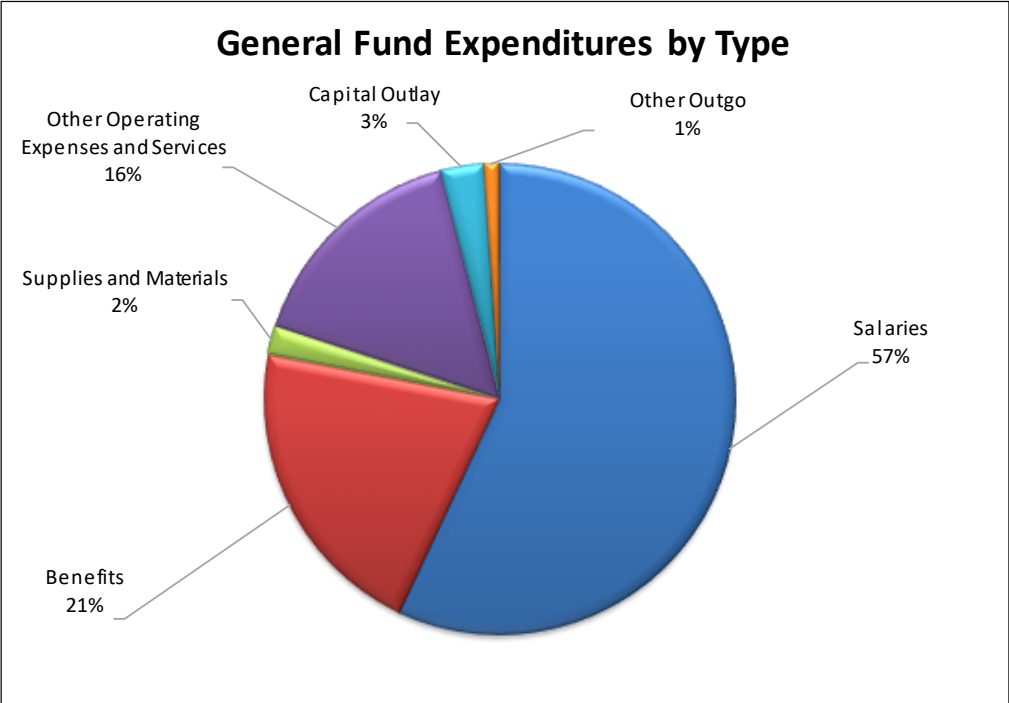
The chart below depicts the District's General Fund total revenues by source:



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

General Fund Expenditures by Type

The chart below depicts the District's General Fund total expenditures by type:



**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Expenditures by Activity

The following table summarizes the District's expenditures by activity for the year ended June 30, 2023:

Functional Classifications	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses and Services	Depreciation and Amortization	Total
Instruction	\$ 23,906,256	\$ 6,360,796	\$ 2,123,948	\$ -	\$ 32,391,000
Academic Support	3,701,167	978,276	715,374	-	5,394,817
Student Services	7,178,657	2,038,221	1,418,489	-	10,635,367
Operation and Maintenance of Plant	2,356,080	903,556	2,420,982	-	5,680,618
Institutional Support	7,031,031	2,530,075	4,843,802	-	14,404,908
Community Services and Economic Development	655,993	127,168	962,589	-	1,745,750
Auxiliary Operations	1,662,050	440,889	846,728	-	2,949,667
Student Aid	-	-	13,818,583	-	13,818,583
Other Outgo	-	-	9,932,976	-	9,932,976
Depreciation	-	-	-	7,572,089	7,572,089
	\$ 46,491,234	\$ 13,378,981	\$ 37,083,471	\$ 7,572,089	\$ 104,525,775

Condensed Statement of Cash Flows for the Years Ended June 30, 2023 and 2022

CASH PROVIDED BY (USED IN)	2023	2022	Change
Operating activities	\$ (65,334,895)	\$ (66,388,695)	\$ 1,053,800
Noncapital financing activities	83,393,508	78,812,268	4,581,240
Capital and related financing activities	(1,284,549)	(16,876,593)	15,592,044
Investing activities	1,143,446	110,713	1,032,733
Net Increase (Decrease) in Cash and Cash Equivalents	17,917,510	(4,342,307)	22,259,817
CASH -- BEGINNING OF YEAR	128,258,054	132,600,361	(4,342,307)
CASH -- END OF YEAR	\$ 146,175,564	\$ 128,258,054	17,917,510

The previous schedule has been prepared from the Statement of Cash Flows presented on pages 17 and 18. This statement provides information about cash receipts and cash payments during the fiscal year. It also helps users assess the District's ability to generate positive net cash flows and its ability to meet its obligations as they come due.

The primary operating activities contributing to cash flow are student tuition and fees and Federal, State, and local grants and contracts, while the primary operating activity using cash flow throughout the year is the payment of salaries and benefits.

Even though State apportionment and property taxes are the primary source of District revenue (and cash flow), GASB accounting standards require that these sources of revenue be shown as nonoperating revenue since they come from the general resources of the State and not from the primary users of the District's programs and services (students). Nevertheless, the District depends upon this funding as the primary source of funds to continue operations.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

MEASURE L

Measure L, a general obligation bond, was passed by the voters of San Luis Obispo and Monterey counties on November 4, 2014. The bond required a 55% approval to be successful; it achieved 62%. Measure L authorizes the District to issue \$275,000,000 in bonds to benefit the District. The funds were designated to repair, construct and acquire facilities and equipment; update classrooms; improve career education programs; repair gas and electrical lines and upgrade technology.

The District will issue a series of four bonds every three years. The first series was issued in March of 2015 for \$75,000,000. The proceeds were used for the following projects: HVAC/roof repairs, Aquatics Center planning and renovations, interim housing, North County Campus Center, SLO Campus Instructional Building, technology upgrades, and debt retirement. The proceeds have been fully spent.

The second bond series of \$73,000,000 was issued in January 2018. Projects completed in the second issuance include: Data Center Building, Aquatics Center, North County Early Childhood Education Center, building repairs and upgrades, technology upgrades, and retirement of the 2009 Certificates of Participation. The proceeds have been fully spent.

The third bond series of \$70,000,000 was issued in February 2021. Projects scheduled for the third issuance include; SLO Campus Center, switchgear replacement, HVAC/roof replacements, technology upgrades and the North County Instructional Building design.

The fourth bond series of \$57,000,000 is scheduled to be issued in early 2024. Projects included for the fourth issuance include: North County Campus Instructional Building, 3000 Complex improvements, HVAC/Roofing improvements, Technology improvements, and various site improvements.

Current information on the bond program can be found at www.cuestacollegebond.info.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

State Budget Overview

In sharp contrast from the previous year, the 2023-24 state budget showed a year-over-year decline in revenues. Broad economic indicators are sending mixed signals – strong employment numbers are coupled with high inflation and lagging state tax receipts. Revenue declines are largely attributable to the poor performance of the stock market in the second half of 2022 (the S&P 500 dropped 19.4% during that time), a mark of the state's reliance on high-income earners. The Department of Finance (DOF) projects a deficit of \$31.5 billion, a dramatic downturn from the large surplus of the prior year. The total proposed state budget from all sources is \$306 billion, with a general fund expenditure estimate of \$226 billion - a 3% decrease from the 2022-23 fiscal year.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The spring forecast arrived with more uncertainty than usual, as the IRS and the Franchise Tax Board postponed tax filing deadlines until October for counties impacted by the spring rain storms. Other concerns raised include the impact of high interest rates and concerns over the instability of banks. While the DOF isn't forecasting a recession, it suggests that even a mild recession could lead to additional revenue losses of nearly \$40 billion. Such a recession would have a negative multiyear impact on state budgets. Due to those concerns, Governor Newsom does not propose dipping into the state's reserves at this point in time. Instead, the budget gap is addressed through a combination of reductions, expenditure delays, and fund shifts.

Total state reserves are estimated to be \$38 billion, including \$22.3 billion in the Rainy Day Fund. Given the deficit, few programs are targeted for expansion. Top priorities addressed in the proposal include education, infrastructure, and mitigating the impacts of climate change (e.g., enhancing wildfire resistance).

The Legislative Analyst's Office (LAO) has cautioned state officials that the deficit may be even greater than what the DOF projects. The LAO has estimated the gap to be over \$40 billion and recommended lawmakers enact deeper cuts to avoid persistent budget deficits in the coming years.

California Community Colleges

As state revenues have declined, the K-14 Proposition 98 minimum guarantee has decreased correspondingly. The guarantee is in Test 1, which means it is equal to 38.6% of state general fund revenues, plus the local property taxes allocated for K-14 education. The 2023-24 guarantee is estimated at \$108.3 billion, a \$2 billion decrease from the amount adopted in the 2022-23 Budget Act. The community colleges' share of the minimum guarantee amounts to \$12.3 billion (this figure includes resources that "pass through" to K-12 and other agencies), roughly \$300 million less than what was approved in the current year budget.

Lawmakers were challenged to find room to fund the high statutory COLA of 8.22% amidst the decline in ongoing revenues. As the 2022-23 budget included a large number of one-time expenditures, backing those out only partially solved the problem. In order to secure resources to fund the full COLA, policymakers took the unusual step of reducing the 2022-23 one-time appropriation for deferred maintenance and an appropriation for enrollment retention and outreach. The resulting budget supports the ongoing community college budget using \$503 million in one-time revenues. This is a risky proposition, but the DOF has indicated that other tools, such as deferrals and reserves, are available to address further short-term gaps, if necessary.

Aside from the expenditure items, Governor Newsom continues to place an emphasis on increasing completions and integration among the higher education segments. The "Road Map" - spelled out in the 2022-23 budget - sets a goal of achieving 70% completion of postsecondary degree and certificate attainment among working-age Californians by 2030. Other goals include increasing the percentage of students earning degrees and certificates for in-demand jobs by 20% as of 2026; decreasing the median units to completion in excess of 60 by 15%; and improving student equity by increasing completion and transfer rates among disabled, underrepresented, and Pell students to meet the average of all students by 2026. The UC and CSU systems are requested to increase undergraduate enrollments by 22,000 as of 2026 with a significant share of those coming from community college transfers.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Highlighted items in the State's final budget include.

- A COLA of 8.22% for the Student Centered Funding Formula (SCFF) rates and selected categorical programs.
- \$26.4M for enrollment growth of 0.5%.
- \$275K (\$200K ongoing) for a Chief Business Official Mentorship program.
- A reduction of \$493.6M (out of \$840M) from one-time Deferred Maintenance funds appropriated in the 2022-23 budget.
- A reduction of \$5.4M (out of \$150M) from one-time Student Retention and Enrollment funds appropriated in the 2022-23 budget.
- An allowance of flexibility among the remaining \$1.1B in one-time Deferred Maintenance, Student Retention and Enrollment, and 2022-23 COVID-19 Block Grant Funds, so that the combined dollars can be used for any of those purposes.

It is very unusual for the state to pull back funds that have already been allocated to districts, but the proposal to redirect funding from the Deferred Maintenance and COVID Block Grant funds demonstrates the state's priority to fully fund the COLA. This action creates problems for many districts that may have already established plans and entered into contracts for projects. At this time no information has been provided as to how the Chancellor's Office would recapture the funds.

Challenges Ahead

While the final state budget provides welcomed new resources for the District, we will need to remain focused on our standing in the SCFF. Higher than usual COLAs over the past three budgets will push the timeline for attaining Community-Supported (basic aid) status back several years. Cuesta College, like most districts in the state, has seen steep declines in enrollment which could limit our funding growth as protections provided during the pandemic end. Additionally, pension costs are scheduled to increase over the next several years, and we've seen the impact of inflation in areas like utilities. Community colleges remain subject to the state's revenue volatility, and the Chancellor's Office has projected apportionment deficits as property taxes and Education Protection Account funds have lagged behind expectations.

That said, the increased funding rates and recent COLAs for the SCFF provide the District with good opportunities to increase reserves to handle coming challenges, restore operational reductions made during the pandemic, and absorb this year's increase in pension costs.

Potential areas for action in 2023-24:

- Invest additional one-time resources into the pension trust account, potentially from the Employee Retention Credit.
- Improve efforts to recruit and retain students.
- Plan for the refreshment of priority technology funded during the pandemic.
- Recruit more international students.
- Generate revenue from surplus property.
- Maintain reserves to protect operations from revenue shortfalls.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the San Luis Obispo County Community College District.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

Current Assets:

Cash and investments	\$ 146,175,564
Accounts receivable, net	6,374,562
Due from Foundation	556,469
Prepaid expenditures and other assets	740,984
Total Current Assets	<u>153,847,579</u>

Noncurrent Assets:

Capital assets, net	<u>207,043,417</u>
Total Noncurrent Assets	<u>207,043,417</u>

TOTAL ASSETS

360,890,996

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - OPEB	907,502
Deferred outflows - pensions	<u>18,728,632</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES

19,636,134

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 380,527,130

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 4,768,274
Accrued interest	2,508,218
Unearned revenue	20,744,966
Long-term debt, current portion	<u>8,747,335</u>
Total Current Liabilities	<u>36,768,793</u>

Noncurrent Liabilities:

Net OPEB liability	1,944,782
Net pension liability	61,302,111
Long-term debt, non-current portion	<u>165,301,369</u>
Total Noncurrent Liabilities	<u>228,548,262</u>

TOTAL LIABILITIES

265,317,055

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB	538,445
Deferred inflows related to pensions	<u>9,905,352</u>

TOTAL DEFERRED INFLOWS OF RESOURCES

10,443,797

NET POSITION

Net investment in capital assets	89,884,703
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Restricted for:

Debt service	22,906,053
Capital projects	9,321,565
Educational programs	1,083,485
Other special purpose	2,643,478

Unrestricted	<u>(21,073,006)</u>
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TOTAL NET POSITION

104,766,278

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 380,527,130

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES

Tuition and fees (gross)	\$ 11,720,572
Less: Scholarship discounts and allowances	(3,400,901)
Net tuition and fees	<u>8,319,671</u>
Grants and contracts, noncapital:	
Federal	3,410,746
State	9,544,777
Local	2,496,164
Auxiliary enterprise sales, net	<u>585,845</u>
TOTAL OPERATING REVENUES	<u>24,357,203</u>

OPERATING EXPENSES

Salaries	46,491,234
Employee benefits	13,378,981
Supplies, materials, and other operating expenses	23,264,888
Financial aid	13,818,583
Depreciation and amortization	<u>7,572,089</u>
TOTAL OPERATING EXPENSES	<u>104,525,775</u>

OPERATING LOSS

(80,168,572)

NON-OPERATING REVENUES (EXPENSES)

State apportionments, noncapital	12,849,005
Local property taxes, noncapital	50,869,182
State taxes and other revenues, noncapital	5,619,005
Federal and State financial aid grants	13,249,911
Interest and investment income (loss), noncapital	1,143,446
Other non-operating income	<u>806,405</u>
TOTAL NON-OPERATING REVENUES	<u>84,536,954</u>

LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

4,368,382

OTHER REVENUES, EXPENSES, GAINS AND LOSSES

State apportionments, capital	7,957,550
Local property taxes and revenues, capital	14,859,193
Interest and investment income (loss), capital	1,672,215
Interest expense, capital	(5,226,503)
Gain (loss) on disposal of capital assets	<u>111,150</u>
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>19,373,605</u>

CHANGE IN NET POSITION

23,741,987

NET POSITION -- BEGINNING OF YEAR

81,024,291

NET POSITION -- END OF YEAR

\$ 104,766,278

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 8,319,671
Grants and contracts	26,210,256
Payments to or on behalf of employees	(63,098,739)
Payments to vendors for supplies and services	(23,533,345)
Payments to students	(13,818,583)
Internal sales and charges	585,845
Net Cash Used by Operating Activities	<u>(65,334,895)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	12,849,005
Local property taxes	50,869,182
State taxes and other revenues	5,619,005
Federal and State financial aid grants	13,249,911
Other non-operating revenues	806,405
Net Cash Provided by Non-capital Financing Activities	<u>83,393,508</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net purchase and sale of capital assets	(12,163,306)
State revenue, capital projects	7,957,550
Local property taxes on capital related debt	14,859,193
Interest earned on capital related debt	1,672,215
Principal paid on capital debt	(7,435,000)
Interest paid on capital debt	(6,175,201)
Net Cash Used by Capital and Related Financing Activities	<u>(1,284,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income (expense)	<u>1,143,446</u>
Net Cash Provided by Investing Activities	<u>1,143,446</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,917,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>128,258,054</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 146,175,564</u>

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (80,168,572)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and amortization expense	7,572,089
Changes in Assets and Liabilities:	
Accounts receivable, net	(216,067)
Prepaid expenditures	(576,596)
Due from Foundation/District	(556,469)
Deferred outflows - pensions	(5,960,581)
Deferred outflows - OPEB	115,728
Accounts payable and accrued liabilities	308,139
Deferred revenue	11,531,105
Compensated absences and load banking	6,884
Supplemental Employee Retirement Plan	(220,786)
Net OPEB liability	(157,394)
Net pension liability	21,644,643
Deferred inflows - pensions	(18,784,943)
Deferred inflows - OPEB	127,925
Total Adjustments	<u>14,833,677</u>
Net Cash Flows From Operating Activities	<u>\$ (65,334,895)</u>

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – ORGANIZATION

The San Luis Obispo County Community College District (the District) was established in 1963 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District operates Cuesta College in San Luis Obispo, a satellite campus in Paso Robles, and a center in Arroyo Grande, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Accounting

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

Cash and Cash Equivalents

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

Investments

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

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$3,592,572 for the year ended June 30, 2023.

Prepaid Expenses

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets and Depreciation

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

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; portables, 15 years; improvements, 10 years; equipment, 10 years; vehicles, 8 years; and technology, 3 years.

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

Compensated Absences and Load Banking

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

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

Debt Premiums

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for OPEB and pension related items. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Pensions

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

Unearned Revenue

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Noncurrent Liabilities

Noncurrent liabilities include general obligation bonds, capital leases, compensated absences, compensatory time, load banking, PARS supplemental retirement plan, the aggregate net OPEB liability, and the aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$35,954,581 of restricted net position.

Operating and Nonoperating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes

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

The voters of the District passed a General Obligation Bond in November 2014 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

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

Financial Assistance Programs

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

Estimates

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

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government has been eliminated in the consolidation process of the basic financial statements.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government have been eliminated in the consolidation process of the basic financial statements.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The statement is effective for fiscal year 2022-23. The District has implemented GASB Statement No. 96 for the year ending June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

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

	District
Cash on hand and in banks	\$ 2,620,997
Cash in revolving	16,886
Investments	143,537,681
Total Deposits and Investments	\$ 146,175,564

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS, continued

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
San Luis Obispo County Treasury Investment Pool	\$ 136,800,343	436 days	AAAf/S1
Mutual funds	6,737,338	No maturity	Not rated
Total	\$ 143,537,681		

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The San Luis Obispo County Treasury Investment Pool was rated by Fitch Ratings as AAAf/S1. The mutual funds and equities are not required to be rated, nor have they been rated as of June 30, 2023.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of approximately \$3.0 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2023, the District's investment balance of approximately \$6.7 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs
Mutual funds	\$ 6,737,338	\$ 6,737,338
Total	\$ 6,737,338	

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	\$ 931,930
State Government	
EPA funds	1,838,417
Categorical aid	59,609
Lottery	267,975
Local Sources	
Other local sources	724,099
Subtotal	<u>3,822,030</u>
Student receivables	6,145,104
Less: allowance for bad debt	<u>(3,592,572)</u>
Total receivables, net	<u>\$ 6,374,562</u>

NOTE 6 – CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 1,216,661	\$ -	\$ -	\$ 1,216,661
Construction in progress	11,865,251	10,147,916	328,819	21,684,348
Total Capital Assets Not Being Depreciated	<u>13,081,912</u>	<u>10,147,916</u>	<u>328,819</u>	<u>22,901,009</u>
Capital Assets Being Depreciated				
Land improvements	36,830,175	400,026	-	37,230,201
Buildings and improvements	226,703,809	1,012,438	-	227,716,247
Portable buildings	2,325,659	-	-	2,325,659
Equipment	6,092,243	172,077	22,521	6,241,799
Technology equipment	9,524,916	353,873	-	9,878,789
Vehicles	1,724,555	516,945	21,574	2,219,926
Total Capital Assets Being Depreciated	<u>283,201,357</u>	<u>2,455,359</u>	<u>44,095</u>	<u>285,612,621</u>
Total Capital Assets	<u>296,283,269</u>	<u>12,603,275</u>	<u>372,914</u>	<u>308,513,630</u>
Less: Accumulated Depreciation				
Land improvements	19,630,766	2,181,304	-	21,812,070
Buildings and improvements	57,901,873	4,517,414	-	62,419,287
Portable buildings	1,291,930	101,369	-	1,393,299
Equipment	4,974,051	298,719	22,521	5,250,249
Technology equipment	8,852,646	354,836	-	9,207,482
Vehicles	1,290,953	118,447	21,574	1,387,826
Total Accumulated Depreciation	<u>93,942,219</u>	<u>7,572,089</u>	<u>44,095</u>	<u>101,470,213</u>
Net Capital Assets	<u>\$ 202,341,050</u>	<u>\$ 5,031,186</u>	<u>\$ 328,819</u>	<u>\$ 207,043,417</u>

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS SUMMARY

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2023 consisted of the following:

	Balance			Balance		Amounts Due in
	July 1, 2022	Additions	Reductions	June 30, 2023		One Year
General Obligation Bonds	\$ 163,735,000	\$ -	\$ 7,435,000	\$ 156,300,000	\$	7,920,000
Bond Premium	16,358,228	-	827,335	15,530,893		827,335
Compensated absences	1,622,879	13,544	-	1,636,423		-
Compensatory time	21,469	5,484	-	26,953		-
Load banking	566,579	-	12,144	554,435		-
PARS supplemental retirement plan	220,786	-	220,786	-		-
Total	\$ 182,524,941	\$ 19,028	\$ 8,495,265	\$ 174,048,704	\$	8,747,335

Description of Long-Term Liabilities

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. Capital leases are paid by the unrestricted General Fund. Compensated absences, compensatory time, and the PARS supplemental retirement plan will be paid by the fund for which the employee worked. Load banking is paid by the unrestricted General Fund.

General Obligation Bonds

General obligation bonds were approved by a local election on November 4, 2014. The total amount approved by the voters was \$275,000,000 to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities. A portion of the proceeds were used to pay off the District's 2006 Certificates of Participation in February 2015 and pay off the District's 2009 Certificates of Participation in January 2018.

Election of 2014 General Obligation Bonds, Series A and Series A-1

On February 18, 2015, the District issued the Election of 2014 General Obligation Bonds, Series A and Series A-1 in the amount of \$75,000,000. The bonds mature beginning August 1, 2016 through August 1, 2040, with interest rates ranging from 2.00% to 5.00%. At June 30, 2023, the principal balance outstanding was \$50,575,000, and the unamortized premium was \$4,076,107. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

Election of 2014 General Obligation Bonds, Series B

On January 18, 2018, the District issued the Election of 2014 General Obligation Bonds, Series B in the amount of \$73,000,000. The bonds mature beginning August 1, 2018 through August 1, 2043, with interest rates ranging from 3.00% to 5.00%. At June 30, 2023, the principal balance outstanding was \$52,915,000, and the unamortized premium was \$5,876,236. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB AND PENSIONS SUMMARY, continued

Election of 2014 General Obligation Bonds, Series C

On February 18, 2021, the District issued the Election of 2014 General Obligation Bonds, Series C in the amount of \$70,000,000. The District issued \$805,000 of federally taxable bonds, which matured on April 1, 2021 and bearing an interest rate of 0.200%. The remaining bonds mature beginning August 1, 2021 through August 1, 2043, with interest rates ranging from 2.00% to 4.00%. At June 30, 2023, the principal balance outstanding was \$52,810,000, and the unamortized premium was \$5,578,550. Premiums are amortized over the life of the bonds as a component of interest expense on the bonds.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding June 30, 2023
				July 1, 2022	Issued	Redeemed	
2/18/2015	8/1/2040	2.00%-5.00%	\$ 75,000,000	\$ 51,380,000	\$ -	\$ 805,000	\$ 50,575,000
1/18/2018	8/1/2043	3.00%-5.00%	73,000,000	53,160,000	-	245,000	52,915,000
2/18/2021	8/1/2043	0.200%-4.00%	70,000,000	59,195,000	-	6,385,000	52,810,000
				\$ 163,735,000	\$ -	\$ 7,435,000	\$ 156,300,000

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2044 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2024	\$ 7,920,000	\$ 6,019,723	\$ 13,939,723
2025	7,795,000	5,708,266	13,503,266
2026	2,655,000	5,396,741	8,051,741
2027	3,040,000	5,288,300	8,328,300
2028	3,485,000	5,145,050	8,630,050
2029-2033	25,040,000	22,834,050	47,874,050
2034-2038	40,680,000	16,181,950	56,861,950
2039-2043	54,200,000	7,336,400	61,536,400
2044	11,485,000	368,900	11,853,900
Total	\$ 156,300,000	\$ 74,279,380	\$ 230,579,380

PARS Supplemental Retirement Plan

The District sponsored a one-time Supplemental Retirement Plan for full-time faculty who were employed by the District as of January 10, 2018. To be eligible for early retirement benefits, the employee must have been at least 55 years of age with five or more years of service or at least age 50 with 30 or more years of service as of June 30, 2018, be eligible to retire from CalSTRS or CalPERS, be resigned from District employment effective after the completion of the 2017-2018 academic year, on or before June 30, 2018, and has applied for benefits under the addendum. The final payment of \$220,786 was paid during fiscal year 2022-23.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY

For the fiscal year ended June 30, 2023, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 1,771,597	\$ 907,502	\$ 538,445	\$ 172,455
MPP Program	173,185	-	-	(86,196)
Total	\$ 1,944,782	\$ 907,502	\$ 538,445	\$ 86,259

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75

Management of the plan is vested in the District management.

Plan Membership

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

	Number of Participants
Inactive Employees Receiving Benefits	17
Active Employees	459
	476

Benefits Provided

The Plan allows eligible retirees to purchase healthcare costs at the same rate as active employees (implicit rate subsidy). The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The following is a summary of the current retiree benefit plan:

	Faculty	Classified	Management
Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years	5 years	5 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
College Contribution %	Implicit rate subsidy	Implicit rate subsidy	Implicit rate subsidy
College Cap	None	None	None

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Total OPEB Liability of the District

The District's total OPEB liability of \$1,771,597 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 June 30, 2021.

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost methods	Entry age actuarial cost method
Inflation rate	2.50%
Investment rate of return	3.54%
Health care cost trend rate	4.00%
Payroll increase	2.75%

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study as of July 2020.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Changes in the Total OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance July 1, 2021	\$ 1,842,795	\$ -	\$ 1,842,795
Changes for the year:			
Service cost	144,480	-	144,480
Interest on TOL	40,581	-	40,581
Employer contributions	-	72,532	(72,532)
Change in assumptions	(183,727)	-	(183,727)
Expected benefit payments	(72,532)	(72,532)	-
Net change	(71,198)	-	(71,198)
Balance June 30, 2022	\$ 1,771,597	\$ -	\$ 1,771,597

Changes of economic assumptions reflect a change in the discount rate from 2.16% to 3.54% since the previous valuation. There were no changes to benefit terms since the previous valuation.

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

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

	Discount Rate 1% Lower (2.54%)	Discount Rate (3.54%)	Discount Rate 1% Higher (4.54%)
Net OPEB liability	\$ 1,909,131	\$ 1,771,597	\$ 1,680,441

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	Trend Rate 1% Lower (3.00%)	Healthcare Cost Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 1,579,637	\$ 1,771,597	\$ 1,988,892

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,516	\$ 285,879
Change in assumptions	826,986	252,566
	<u>\$ 907,502</u>	<u>\$ 538,445</u>

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 11.4 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 59,926
2025	59,926
2026	59,926
2027	59,926
2028	59,926
Thereafter	69,427
	<u>\$ 369,057</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$173,185 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.053% and 0.065%, respectively, resulting in a net decrease in the proportionate share of 0.012%.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$86,196).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.54%
Investment Rate of Return	3.54%
Medicare Part A Premium	
Cost Trend Rate*	4.50%
Medicare Part B Premium	
Cost Trend Rate*	5.40%

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

Actuarial Methods and Assumptions, continued

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

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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

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

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

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Districts MPP's net OPEB liability	\$ 231,147	\$ 173,185	\$ 191,376

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 8 – AGGREGATE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY, continued

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

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

	1% Decrease (3.50% Part A and 4.40% Part B)	Medicare Cost Trend Rate (4.50% Part A and 5.40% Part B)	1% Increase (5.50% Part A and 6.40% Part B)
Districts MPP's net OPEB liability	\$ 158,891	\$ 173,185	\$ 189,359

NOTE 9 – RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Joint Powers Authority Risk Pools

During fiscal year ended June 30, 2023, the District contracted with the Bay Area Community College District Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2022-2023, the District participated in the Self-Insurance Program for Employees (SIPE) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self-insured for the first \$10,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Employee Medical Benefits

The District offers a variety of medical benefit options to its employees. This includes utilizing both services provided by agreements with two Joint Powers Authorities and direct programs through Blue Shield, an insurance provider.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – RISK MANAGEMENT, continued

Employee Medical Benefits, continued

The District has contracted with Self-Insured Schools of California (SISC III) to provide medical plans to faculty and other eligible District employees. SISC III is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of the claims flow. The Board of Directors has the right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Also offered are vision and dental benefits. Dental benefits are provided through California Schools Dental Coalition, a Joint Powers Authority. Vision benefits are provided through California Schools Vision Coalition, a Joint Powers Authority.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of the aggregate net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 24,341,588	\$ 6,951,015	\$ 6,874,795	\$ 1,453,644
CalPERS	36,960,523	11,777,617	3,030,557	4,165,841
Total	\$ 61,302,111	\$ 18,728,632	\$ 9,905,352	\$ 5,619,485

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

Benefits Provided

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

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

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

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

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the District's total contributions were \$4,207,950.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 24,341,588
State's proportionate share of the net pension liability associated with the District	12,190,338
Total	\$ 36,531,926

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.0350% and 0.0366%, respectively, resulting in a net decrease in the proportionate share of 0.0016%.

For the year ended June 30, 2023, the District recognized pension expense of \$1,453,644. In addition, the District recognized pension expense and revenue of (\$911,740) 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 projected and actual earnings on plan investments	\$ -	\$ 1,191,122
Differences between expected and actual experience	19,968	1,824,811
Changes in assumptions	1,206,263	-
Net changes in proportionate share of net pension liability	1,516,834	3,858,862
District contributions subsequent to the measurement date	4,207,950	-
Total	\$ 6,951,015	\$ 6,874,795

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2022 measurement date is seven years.

The remaining amount will be recognized to pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (808,786)
2025	(1,901,621)
2026	(2,597,271)
2027	1,511,995
2028	(252,323)
Thereafter	(83,724)
	<u>\$ (4,131,730)</u>

Actuarial Methods and Assumptions

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

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

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Methods and Assumptions, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
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%
	100%	

*20-year average

Discount Rate

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 41,341,044	\$ 24,341,588	\$ 10,226,928

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees' Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	25.370%	25.370%

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the total District contributions were \$4,512,416.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$36,960,523. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.1074% and 0.1131%, respectively, resulting in a net decrease in the proportionate share of 0.0057%.

For the year ended June 30, 2023, the District recognized pension expense of \$4,165,841. 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 projected and actual earnings on plan investments	\$ 4,364,032	\$ -
Differences between expected and actual experience	167,040	919,626
Changes in assumptions	2,734,129	-
Net changes in proportionate share of net pension liability	-	2,110,931
District contributions subsequent to the measurement date	4,512,416	-
Total	\$ 11,777,617	\$ 3,030,557

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2022 measurement date is 4.1 years. The remaining amount will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 906,594
2025	680,972
2026	306,762
2027	2,340,316
	\$ 4,234,644

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Methods and Assumptions, continued

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

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	\$ 53,391,347	\$ 36,960,523	\$ 23,381,050

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS, continued

CalSTRS/CalPERS Irrevocable Trust

During the 2017-2018 fiscal year, the District established an irrevocable trust for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded as a fund of the District. The District made no contributions to the trust for the year ended June 30, 2023. As of June 30, 2023, the balance of the trust was \$6,737,338.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2023, which amounted to \$1,955,557. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2023. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Bay Area Community College District Joint Powers Agency (BACCD), Self-Insurance Program for Employees (SIPE), Self-Insured Schools of California (SISC III), the California Schools Dental Coalition, and the California Schools Vision Coalition. Each of these entities is a Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one representative to the Governing Board of BACCD and SIPE. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2023, the District made payments of \$384,022, \$660,672, \$2,055,850, \$370,968, and \$42,252 to the BACCD, SIPE, SISC III, the California Schools Dental Coalition, and the California Schools Vision Coalition, respectively.

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

Construction Commitments

As of June 30, 2023, the District had approximately \$43.8 million in commitments with respect to unfinished capital projects. The projects are funded through general obligation bond proceeds.

REQUIRED SUPPLEMENTARY INFORMATION

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability						
Service cost	\$ 144,480	\$ 247,493	\$ 132,133	\$ 49,070	\$ 49,910	\$ 48,574
Interest	40,581	47,286	61,050	18,645	17,572	14,958
Change in assumptions	(183,727)	(96,442)	192,081	1,039,567	(9,494)	-
Experience gains/losses	-	(346,705)	-	122,348	-	-
Benefit payments	(72,532)	(68,941)	(6,802)	(28,240)	(30,404)	(29,235)
Net change in total OPEB liability	(71,198)	(217,309)	378,462	1,201,390	27,584	34,297
Total OPEB liability, beginning of year	1,842,795	2,060,104	1,681,641	480,251	452,667	418,370
Total OPEB liability, end of year (a)	\$ 1,771,597	\$ 1,842,795	\$ 2,060,103	\$ 1,681,641	\$ 480,251	\$ 452,667
Plan fiduciary net position						
Employer contributions	\$ 72,532	\$ 68,941	\$ 6,802	\$ 2,862,015	\$ 2,673,061	\$ 2,817,936
Expected benefit payments	(72,532)	(68,941)	(6,802)	(2,862,015)	(2,673,061)	(2,817,936)
Change in plan fiduciary net position	-	-	-	-	-	-
Fiduciary trust net position, beginning of year	-	-	-	-	-	-
Fiduciary trust net position, end of year (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ 1,771,597	\$ 1,842,795	\$ 2,060,103	\$ 1,681,641	\$ 480,251	\$ 452,667
Covered 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 (asset)	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Net OPEB asset as a percentage of covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*

*The OPEB plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of pay is presented.

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP
PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
District's proportion of the net OPEB liability	0.053%	0.065%	0.067%	0.067%	0.064%	0.072%
District's Proportionate Share of the Net OPEB Liability	\$ 173,185	\$ 259,381	\$ 283,496	\$ 248,221	\$ 246,080	\$ 304,746
District's Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	-0.94%	-0.80%	-0.71%	-0.81%	-0.40%	0.01%

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

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalSTRS					
District's proportion of the net pension liability	0.0350%	0.0366%	0.0384%	0.0377%	0.0358%
District's proportionate share of the net pension liability	\$ 24,341,588	\$ 16,650,120	\$ 37,205,256	\$ 34,030,373	\$ 32,919,196
State's proportionate share of the net pension liability associated with the District	12,190,338	8,377,869	19,179,314	18,565,841	18,847,780
Total	\$ 36,531,926	\$ 25,027,989	\$ 56,384,570	\$ 52,596,214	\$ 51,766,976
District's covered - employee payroll	\$ 21,616,832	\$ 16,341,362	\$ 21,791,088	\$ 24,993,550	\$ 20,676,715
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	113%	102%	171%	136%	159%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalPERS					
District's proportion of the net pension liability	0.1074%	0.1131%	0.1180%	0.1186%	0.1216%
District's proportionate share of the net pension liability	\$ 36,960,523	\$ 23,007,348	\$ 36,207,498	\$ 34,560,126	\$ 32,424,171
District's covered - employee payroll	\$ 16,361,122	\$ 16,235,758	\$ 16,996,212	\$ 16,465,580	\$ 16,539,566
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	226%	142%	213%	210%	196%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalSTRS				
District's proportion of the net pension liability	0.0400%	0.0403%	0.0448%	0.0456%
District's proportionate share of the net pension liability	\$ 37,001,870	\$ 32,632,487	\$ 30,184,782	\$ 26,654,408
State's proportionate share of the net pension liability associated with the District	21,889,994	18,577,093	15,964,422	16,095,083
Total	\$ 58,891,864	\$ 51,209,580	\$ 46,149,204	\$ 42,749,491
District's covered - employee payroll	\$ 21,863,394	\$ 21,205,592	\$ 20,502,511	\$ 20,315,806
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	169%	154%	147%	131%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CalPERS				
District's proportion of the net pension liability	0.1185%	0.1198%	0.1203%	0.1229%
District's proportionate share of the net pension liability	\$ 28,288,744	\$ 23,668,262	\$ 17,731,314	\$ 13,948,691
District's covered - employee payroll	\$ 14,786,650	\$ 14,591,584	\$ 13,149,104	\$ 12,898,243
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	191%	162%	135%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CaSTRS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 4,207,950	\$ 3,657,568	\$ 2,639,130	\$ 3,726,276	\$ 4,068,950
District's contributions in relation to the statutorily required contribution	4,207,950	3,657,568	2,639,130	3,726,276	4,068,950
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 22,031,152	\$ 21,616,832	\$ 16,341,362	\$ 21,791,088	\$ 24,993,550
District's contributions as a percentage of covered-employee payroll	19.10%	16.92%	16.15%	17.10%	16.28%

CaIPERS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 4,512,416	\$ 3,748,333	\$ 3,360,802	\$ 3,351,823	\$ 2,974,013
District's contributions in relation to the statutorily required contribution	4,512,416	3,748,333	3,360,802	3,351,823	2,974,013
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 17,786,425	\$ 16,361,122	\$ 16,235,758	\$ 16,996,212	\$ 16,465,580
District's contributions as a percentage of covered-employee payroll	25.37%	22.91%	20.70%	19.72%	18.06%

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CalSTRS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 2,983,650	\$ 2,750,415	\$ 2,275,360	\$ 1,820,623
District's contributions in relation to the statutorily required contribution	2,983,650	2,750,415	2,275,360	1,820,623
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 20,676,715	\$ 21,863,394	\$ 21,205,592	\$ 20,502,511
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 2,568,760	\$ 2,053,570	\$ 1,728,665	\$ 1,547,781
District's contributions in relation to the statutorily required contribution	2,568,760	2,053,570	1,728,665	1,547,781
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 16,539,566	\$ 14,786,650	\$ 14,591,584	\$ 13,149,104
District's contributions as a percentage of covered-employee payroll	15.53%	13.89%	11.85%	11.77%

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The changes of economic assumptions reflect a change in the discount rate from 2.16% to 3.54% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

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

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes of Assumptions* - There were no changes in assumptions since the previous valuation for CalSTRS. The plans discount rate was changed from 7.15 percent to 6.90 percent since the previous valuation for CalPERS.

Schedule of District Contributions – Pensions

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

SUPPLEMENTARY INFORMATION

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
ORGANIZATIONAL STRUCTURE
JUNE 30, 2023**

The San Luis Obispo County Community College District was established on April 16, 1963, and is comprised of an area of approximately 3,316 square miles located in San Luis Obispo County. There were no changes in the boundaries of the District during the current year. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Mary Strobridge	President	2024
Dr. Debra Stakes	Vice President	2024
Pete Sysak	Trustee	2026
Danna Stroud	Trustee	2024
Patrick Mullen	Trustee	2026
Zach Stever	Student Trustee	2024

ADMINISTRATION

Dr. Jill Stearns
President and District Superintendent

Dan Troy
Vice President, Administrative Services

Dr. Elizabeth Coria
Vice President, Student Success and Support Programs

Dr. Jason Curtis
Vice President, Instruction

Melissa Richerson
Vice President, Human Resources and Labor Relations

AUXILIARY ORGANIZATIONS IN GOOD STANDING

AUXILIARY NAME	DIRECTOR'S NAME	ESTABLISHMENT AND MASTER AGREEMENT DATE
Cuesta College Foundation	Shannon Hill, Executive Director	Organized as an auxiliary organization on April 18, 1973 and has a signed master agreement revised on May 2, 2022.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grant Number	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Program</i>			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	n/a	\$ 7,390,066
Federal Pell Grant Program Administrative Allowance	84.063	n/a	7,598
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	n/a	252,858
Federal Work Study (FWS)	84.033	n/a	106,527
Federal Direct Student Loans	84.268	n/a	1,929,766
Subtotal Student Financial Aid Cluster			9,686,815
Higher Education Emergency Relief Fund			
COVID-19 HEERF - Institutional	84.425F	n/a	132,326
COVID-19 HEERF - Minority Serving Institutions	84.425L	n/a	992,143
Subtotal Higher Education Emergency Relief Fund			1,124,469
Title V: Higher Education Act; Integrating Academics, Support and Technology to Increase Student Success			
	84.031S	n/a	274,480
Title V: Increasing Student Access and Success through Guided Pathways			
	84.031S	n/a	815,922
Title IV: Childcare Access Means Parents In School (CCAMPIS)			
	84.335A	n/a	85,012
<i>Passed through California Community Colleges Chancellor's Office</i>			
Career and Technical Education Act (CTEA), Title I - Part C			
	84.048A	20-C01-640	449,963
<i>Passed through California Department of Education</i>			
Adult Basic Education & ELA (Section 231)			
	84.002A	14508	154,860
Adult Secondary Education			
	84.002	13978	14,465
Integrated English Literacy and Civics Education			
	84.002A	14109	55,220
Total U.S. Department of Education			12,661,206
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Program</i>			
Forest Reserve			
	10.665	n/a	6,117
Cultivating Latinx Student Participation and Success in Agriculture Education			
	10.223	n/a	44,383
Total U.S. Department of Agriculture			50,500
NATIONAL SCIENCE FOUNDATION			
<i>Direct Program</i>			
GIS Technology: Mapping, Data Management, and Work-Based Learning Across Industry Sectors			
	47.076	n/a	21,833
Institutionalizing Undergraduate Research Education to Promote Student Engagement and Success			
	47.076	n/a	9,000
Collaborative Research: Enabling Transfer Student Access to Engineering			
	47.076	2019-15-51213	33,238
NSF LSAMP Louis Stokes B2B Alliance			
	47.076	n/a	33,588
Total National Science Foundation			97,659
FEDERAL AVIATION ADMINISTRATION			
<i>Direct Program</i>			
FAA Aviation Maintenance Technical Workers Grant Program			
	20.112	n/a	61,457
Total Federal Aviation Administration			61,457
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through California Community Colleges Chancellor's Office:</i>			
Temporary Assistance for Needy Families (TANF)			
	93.558	(1)	56,486
Title IV-E Foster Care			
	93.658	(1)	60,286
Total Department of Health and Human Services			116,772
Total Federal Programs			\$ 12,987,594

(1) - Pass-through entity identifying number not readily available.

n/a - Pass-through entity identifying number not applicable.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income	Total Revenue	
Adult Ed Block Grant	\$ 1,028,051	\$ -	\$ 444,313	\$ 583,738	\$ 583,738
Amazon Web Services Cloud Pilot Program	40,000	-	40,000	-	-
Basic Needs Center	527,507	-	248,419	279,088	279,088
Basic Skills	402,842	-	240,150	162,692	162,692
Calfresh Outreach (SB 85)	25,300	-	2,374	22,926	22,926
California Apprenticeship Initiative Subaward	76,812	-	54,316	22,496	22,496
CalWORKs	408,172	-	98,013	310,159	310,159
Campus Safety & Sexual Assault	2,614	-	1,066	1,548	1,548
CCAP Instructional Materials for Dual Enrollment	83,164	-	-	83,164	83,164
Classified Professional Development	45,866	-	45,866	-	-
College Corps Non-Dreamers	390,100	-	-	390,100	390,100
Coop Agencies Resources - Educ (CARE)	367,690	-	221,860	145,830	145,830
COVID Block Grant State Funds	4,945,848	-	4,935,848	10,000	10,000
Culturally Competent Faculty	200,418	-	200,418	-	-
Disabled Students Progrms/Svcs (DSPS)	1,469,930	-	838,373	631,557	631,557
DSS - Work Study	63,875	11,125	-	75,000	75,000
Econ Oppor Program and Svcs (EOPS)	926,606	-	323,933	602,673	602,673
EEO Best Practices	208,333	-	208,333	-	-
Equal Employment Opportunity	138,888	-	86,782	52,106	52,106
Financial Aid Technology	126,633	-	20,050	106,583	106,583
Foster and Kinship Care Education (FKCE)	301,023	-	75,322	225,701	225,701
Guided Pathways	599,940	-	39,334	560,606	560,606
Hunger-Free Campus	265	-	-	265	265
Information Technology and Cyber Security	362,040	-	250,682	111,358	111,358
Innovation and Effectiveness	83,633	-	-	83,633	83,633
Innovation Award	739,056	-	530,888	208,168	208,168
Instructional Equipment	300,000	-	300,000	-	-
Invention and Inclusive Innovation	110,000	15,000	51,731	73,269	73,269
LGBTQ+	93,124	-	89,812	3,312	3,312
Library Services Platform	7,861	-	-	7,861	7,861
Medical Healthcare Sevices-CAJC Los Alamitos (CA Military I	43,119	3,992	-	47,111	47,111
Medical Healthcare Sevices-Sunburst Los Alamitos (CA Milit	15,684	14,414	-	30,098	30,098
Medical Healthcare Sevices-SYA Los Alamitos (CA Military D	51,948	-	-	51,948	51,948
Mental Health Services Program	36,920	-	-	36,920	36,920
Mental Health Support Funds	451,561	-	304,510	147,051	147,051
MESA Grant	-	196	-	196	196
Nextup Program	754,803	-	754,803	-	-
Nursing Enrollment Growth & Retention	120,967	-	-	120,967	120,967
Regional Equity and Recovery Partnership	119,385	-	114,855	4,530	4,530
Rising Scholars CCCCCO	148,000	-	52,383	95,617	95,617
South Central Coast Regional Consortium EWD Employer Er	105,693	1,204	-	106,897	106,897
South Central Coast Regional Consortium Strong Workforce	2,753,918	-	1,815,024	938,894	938,894
Strong Workforce Program Local Funding	3,089,840	-	1,899,611	1,190,229	1,190,229
Student Equity Program	1,282,681	-	483,534	799,147	799,147
Student Financial Aid (BFAP)	519,711	-	282,610	237,101	237,101
Student Food and Housing Support	470,946	-	382,133	88,813	88,813
Student Retention and Outreach	1,641,649	-	1,470,646	171,003	171,003
Student Success (Credit)	1,829,840	-	596,664	1,233,176	1,233,176
Student Success (Non-Credit)	120,898	-	119,724	1,174	1,174
Student Success (Non-Credit) Carryover	13,858	-	-	13,858	13,858
Ticket 2 Teach	-	7,690	-	7,690	7,690
Undocumented Resources Liasons	113,992	-	24,966	89,026	89,026
Veteran's Resource Center Categorical	162,074	-	-	162,074	162,074
YESS, CA	16,504	5,988	-	22,492	22,492
Zero Textbook Cost Program - Implementation	180,000	-	180,000	-	-
Zero Textbook Cost Program - Planning	20,000	-	20,000	-	-
	\$ 28,139,582	\$ 59,609	\$ 17,849,346	\$ 10,349,845	\$ 10,349,845

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit	134.63	-	134.63
2. Credit	574.51	-	574.51
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit	-	-	-
2. Credit	16.01	-	16.01
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	2,266.44	-	2,266.44
(b) Daily Census Contact Hours	886.73	-	886.73
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	244.14	-	244.14
(b) Credit	17.62	-	17.62
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	1,820.40	-	1,820.40
(b) Daily Census Contact Hours	1,056.83	-	1,056.83
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	7,017.31	-	7,017.31
Supplemental Information (subset of above information)			
E. In-service Training Courses	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Credit*	-	-	-
2. Noncredit*	287.81	-	287.81
Total Basic Skills FTES	287.81	-	287.81
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	273.70	-	273.70
Centers FTES			
1. Credit*	777.44	-	777.44
2. Noncredit*	110.85	-	110.85
Total Centers FTES	888.29	-	888.29

*Including Career Development and College Preparation (CDCP) FTES

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 11,471,832	\$ -	\$ 11,471,832	\$ 11,471,832	\$ -	\$ 11,471,832
Other	1300	9,023,950	-	9,023,950	9,023,950	-	9,023,950
Total Instructional Salaries		20,495,782	-	20,495,782	20,495,782	-	20,495,782
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	5,275,962	-	5,275,962
Other	1400	-	-	-	482,615	-	482,615
Total Non-Instructional Salaries		-	-	-	5,758,577	-	5,758,577
Total Academic Salaries		20,495,782	-	20,495,782	26,254,359	-	26,254,359
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	9,826,001	-	9,826,001
Other	2300	-	-	-	212,418	-	212,418
Total Non-Instructional Salaries		-	-	-	10,038,419	-	10,038,419
Instructional Aides							
Regular Status	2200	1,067,322	-	1,067,322	1,067,322	-	1,067,322
Other	2400	224,553	-	224,553	224,553	-	224,553
Total Instructional Aides		1,291,875	-	1,291,875	1,291,875	-	1,291,875
Total Classified Salaries		1,291,875	-	1,291,875	11,330,294	-	11,330,294
Employee Benefits	3000	7,476,556	-	7,476,556	14,030,477	-	14,030,477
Supplies and Materials	4000	-	-	-	543,653	-	543,653
Other Operating Expenses	5000	893,647	-	893,647	7,738,473	-	7,738,473
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		30,157,860	-	30,157,860	59,897,256	-	59,897,256
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	220,786	-	220,786	220,786	-	220,786
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	147,260	-	147,260
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	174,610	-	174,610
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	1,831,002	-	1,831,002
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 220,786	\$ -	\$ 220,786	\$ 2,373,658	\$ -	\$ 2,373,658
Total for ECS 84362, 50% Law		\$ 29,937,074	\$ -	\$ 29,937,074	\$ 57,523,598	\$ -	\$ 57,523,598
Percent of CEE (Instructional Salary Cost/Total CEE)		52.04%	0.00%	52.04%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 28,761,799	\$ -	\$ 28,761,799

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
 DETAILS OF THE EDUCATION PROTECTION ACCOUNT EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2023**

EPA Revenue	\$ 10,527,856
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	\$ 10,527,856	\$ -	\$ -	\$ 10,527,856
Total		\$ 10,527,856	\$ -	\$ -	\$ 10,527,856

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

Total Fund Equity - District Funds Included in the Reporting Entity

General Funds	\$	32,991,003	
Debt Service Funds		22,906,053	
Bond Construction Funds		54,672,179	
Capital Project Funds		9,321,565	
Child Development Fund		84,619	
Other Student and Trust Funds		7,736,204	
Internal Service Funds		622,716	\$ 128,334,339
Total fund balances as reported in the CCFS-311			

Assets recorded within the statements of net position not included in the District fund financial statements:

Capital assets	\$	308,513,630	
Accumulated depreciation and amortization		(101,470,213)	207,043,417

Unmatured Interest (2,508,218)

Deferred outflows recorded within the statement of net position not included in the District fund financial statements:

Deferred outflows from OPEB			907,502
Deferred outflows from pensions			18,728,632

Liabilities recorded within the statements of net position not recorded in the District fund financial statements:

General Obligation Bonds	\$	(156,300,000)	
Bond Premium		(15,530,893)	
Compensated absences		(1,636,423)	
Compensatory time		(26,953)	
Load banking		(554,435)	
Net OPEB liability		(1,944,782)	
Net pension liability		(61,302,111)	(237,295,597)

Deferred inflows recorded within the statement of net position not included in the District fund financial statements:

Deferred inflows from OPEB			(538,445)
Deferred inflows from pensions			(9,905,352)

Net Assets Reported Within the Statements of Net Position **\$ 104,766,278**

SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES

Organizational Structure

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

Schedule of Expenditures of Federal Awards

Basis of Presentation

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

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No Federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

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

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

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

Reconciliation of the ECS 84362 (50 Percent Law) Calculation

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

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES, continued

Details of the Education Protection Account Expenditures

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

OTHER INDEPENDENT AUDITORS' REPORTS



INDEPENDENT AUDITORS' 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
San Luis Obispo County Community College District
San Luis Obispo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of San Luis Obispo County Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



San Diego, California
December 27, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
San Luis Obispo County Community College District
San Luis Obispo, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit.

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

CWDL, Certified Public Accountants

San Diego, California
December 27, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
San Luis Obispo County Community College District
San Luis Obispo, California

Report on State Compliance

Opinion on State Compliance

We have audited San Luis Obispo County Community College District's (the District) compliance with the types of compliance requirements as identified in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual* for the year ended June 30, 2023. The applicable state compliance requirements are identified in the table below.

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

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements described in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the compliance requirements are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

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

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

Compliance Requirements Tested

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 27, 2023

FINDINGS AND QUESTIONED COSTS SECTION

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

Section I – Schedule of Audit Findings and Questioned Costs

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Is a going concern emphasis-of-matter paragraph included in the auditors report?	<u>No</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033 84.063, 84.268</u>	<u>Student Financial Aid Cluster</u>
<u>84.425F, 84.425L</u>	<u>Higher Education Emergency Relief Funds</u>
<u>84.031S</u>	<u>Title V, Higher Education Act</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2023**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or recommendations identified during 2022-23.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2022-23.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
STATE COMPLIANCE FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2022-23.

**SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023**

There were no findings or questioned costs identified during 2021-22.