



Financial and Performance Audits  
General Obligation Bond Fund (Measure L)  
June 30, 2021

# San Luis Obispo County Community College District

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)

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June 30, 2021

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Financial Audit  
General Obligation Bond Fund (Measure L)  
June 30, 2021

**San Luis Obispo County Community  
College District**



## Independent Auditor's Report

Board of Trustees and Citizens' Bond Oversight Committee  
San Luis Obispo County Community College District  
San Luis Obispo, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the San Luis Obispo County Community College District's (the District), General Obligation Bond Fund (Measure L), as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Fund (Measure L) of the District as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the General Obligation Bond Fund specific to Measure L are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of the District's General Obligation Bond Fund (Measure L) 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 General Obligation Bond Fund (Measure L) 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 General Obligation Bond Fund (Measure L) internal control over financial reporting and compliance.



Rancho Cucamonga, California  
February 18, 2022

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)

Balance Sheet  
June 30, 2021

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Assets	
Investments	<u>\$ 79,032,134</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 1,236,718</u>
Fund Balance	
Restricted for capital projects	<u>77,795,416</u>
Total liabilities and fund balance	<u>\$ 79,032,134</u>

San Luis Obispo County Community College District  
 General Obligation Bond Fund (Measure L)  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Year ended June 30, 2021

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Revenues	
Investment income	\$ 533,703
Expenditures	
Current Expenditures	
Classified salaries	140,555
Employee benefits	52,118
Supplies and materials	38,320
Services and other expenditures	3,426,319
Cost of issuance	195,000
Capital outlay	14,093,693
Total expenditures	17,946,005
Excess of Expenditures over Revenues	(17,412,302)
Other Financing Sources	
Transfers in	6,104
Other sources - proceeds from sale of bonds	70,000,000
Total other financing sources	70,006,104
Net Change in Fund Balance	52,593,802
Fund Balance - Beginning	25,201,614
Fund Balance - Ending	\$ 77,795,416

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)

Notes to Financial Statements  
June 30, 2021

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of San Luis Obispo County Community College District (the District) General Obligation Bond Fund (Measure L) conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The San Luis Obispo County Community College District General Obligation Bond Fund (Measure L) accounts for the financial transactions in accordance with the policies and procedures of the California Community Colleges *Budget and Accounting Manual*.

**Financial Reporting Entity**

The financial statements include only the General Obligation Bond Fund (Measure L) of San Luis Obispo County Community College District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of November 2014. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

**Fund Accounting**

The operations of the General Obligation Bond Fund (Measure L) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Basis of Accounting**

The General Obligation Bond Fund (Measure L) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's Board of Trustees adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.



San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)

Notes to Financial Statements

June 30, 2021

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**Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

**Fund Balance**

As of June 30, 2021, the fund balance of the General Obligation Bond Fund (Measure L) is classified as follows:

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Note 2 - 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.

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)

Notes to Financial Statements  
June 30, 2021

**Investment in County Treasury**

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the 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 are recorded on the amortized cost basis.

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.

**General Authorizations**

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

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

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)

Notes to Financial Statements  
June 30, 2021

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**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 Investment Pool. The District maintains a General Obligation Bond Fund (Measure L) investment of \$79,032,134 with the San Luis Obispo County Investment Pool, with a weighted average maturity of 476 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Luis Obispo County Investment Pool is rated AAAs/S1 by Fitch Investor Service.

**Note 3 - Accounts Payable**

Accounts payable at June 30, 2021, consist of the following:

Construction projects	<u>\$ 1,236,718</u>
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**Note 4 - Interfund Transactions**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The Bond Interest and Redemption Fund transferred \$6,104 to the General Obligation Bond Fund (Measure L) for construction related expenditures.

**Note 5 - Commitments and Contingencies**

As of June 30, 2021, the General Obligation Bond Fund (Measure L) had approximately \$1.4 million in commitments with respect to unfinished projects.

**Litigation**

The District is not currently a party to any legal proceedings related to the General Obligation Bond Fund (Measure L) at June 30, 2021.



Independent Auditor's Report  
June 30, 2021

**San Luis Obispo County Community  
College District**



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

Board of Trustees and Citizens' Bond Oversight Committee  
San Luis Obispo County Community College District  
San Luis Obispo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the San Luis Obispo County Community College District (the District) General Obligation Bond Fund (Measure L), as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2022.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the General Obligation Bond Fund specific to Measure L are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the San Luis Obispo County Community College District General Obligation Bond Fund (Measure L) 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 San Luis Obispo County Community College District's General Obligation Bond Fund (Measure L) internal control. Accordingly, we do not express an opinion on the effectiveness of the San Luis Obispo County Community College District's General Obligation Bond Fund (Measure L) 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's General Obligation Bond Fund (Measure L) 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's General Obligation Bond Fund (Measure L) financial statements are free of 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 General Obligation Bond Fund (Measure L) 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 General Obligation Bond Fund (Measure L) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California  
February 18, 2022

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)  
Financial Statement Findings  
June 30, 2021

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None reported.

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)  
Summary Schedule of Prior Audit Findings  
June 30, 2021

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





Performance Audit  
General Obligation Bond Fund (Measure L)  
June 30, 2021

**San Luis Obispo County Community  
College District**



## Independent Auditor's Report on Performance

Board of Trustees and Citizens' Bond Oversight Committee  
San Luis Obispo County Community College District  
San Luis Obispo, California

We were engaged to conduct a performance audit of San Luis Obispo County Community College District (the District) General Obligation Bond Fund (Measure L) for the year ended June 30, 2021.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District expended General Obligation Bond Fund (Measure L) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the information and use of the District, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
February 18, 2022

### **Authority for Issuance**

The Measure L General Obligation Bonds (the Bonds) were issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code, Article XIII A of the State Constitution, and other applicable provisions of law. The District received authorization from an election held on November 4, 2014, to issue bonds of the District in an aggregate principal amount not to exceed \$275,000,000 to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities and includes the refinancing of outstanding lease obligations and payment of the cost of issuance of the Federally Taxable Bonds. The measure required approval by at least 55 percent of the votes cast by eligible voters within the District.

In February 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 Series A and Series A-1 were authorized by a resolution by the Board of Trustees of the District adopted on February 4, 2015.

In January 2018, the District issued the Election of 2014 General Obligation Bonds, Series B in the amount of \$73,000,000. The Series B was authorized by a resolution by the Board of Trustees of the District adopted on December 6, 2017.

In February 2021, the District issued the Election of 2014 General Obligation Bonds, Series C in the amount of \$70,000,000. The Series C was authorized by a resolution by the Board of Trustees of the District adopted on December 9, 2020.

### **Purpose of Issuance**

The net proceeds of the Bonds issued under the 2014 Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include the financing of the construction and repairs, upgrading, acquisition, and equipping of certain District property and facilities, and to pay the costs of issuance associated with the Bonds. A portion of the proceeds of the Bonds will also be used to refinance outstanding lease obligations.

### **Authority for the Audit**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school district, community college districts, or county offices of education for the following: "construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reduction of the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other District operating expenses.
2. The community college district must list the specific facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety and information technology needs in developing the project list.
3. Requires the community college district to appoint a Citizens' Bond Oversight Committee
4. Requires the community college district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until after all of the proceeds have been expended.
5. Requires the community college district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

### **Objectives of the Audit**

1. Determine whether expenditures charged to the General Obligation Bond Fund (Measure L) have been made in accordance with the Bond project list approved by the voters through the approval of Measure L.
2. Determine whether salary transactions, if any, charged to the General Obligation Bond Fund (Measure L) were in support of Measure L and not for the District's general administration or operations.

### **Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2020 through June 30, 2021. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2021, were not reviewed or included within the scope of our audit or in this report.

## Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2021, for the General Obligation Bond Fund (Measure L). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure L as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes.
  - b. We considered all expenditures recorded in all projects that were funded from July 1, 2020 through June 30, 2021 from Measure L bond proceeds.
  - c. We selected a sample of expenditures using professional judgement, based on risk assessment and consideration of coverage of all object codes and projects for the period starting July 1, 2020 and ending June 30, 2021.
3. Our sample included transactions totaling \$13,200,225. This represents approximately 74% of the total expenditures of \$17,946,005.
4. We reviewed the actual invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
  - b. Expenditures were supported by proper bid documentation, as applicable.
  - c. Expenditures were expended in accordance with the voter-approved bond project list.
  - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirements of Measure L if the following conditions were met:
  - a. Supporting documents for expenditures were aligned with the voter-approved bond projects list.
  - b. Expenditures were not used for salaries of school administrators or other operating expenses of the District.

## Conclusion

The results of our tests indicated that, in all significant respects, San Luis Obispo County Community College District has properly accounted for the expenditures held in the General Obligation Bond Fund (Measure L) and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the General Obligation Bond Fund (Measure L), and expended by the District, were used for salaries only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)  
Schedule of Findings and Questioned Costs  
June 30, 2021

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None reported.

San Luis Obispo County Community College District  
General Obligation Bond Fund (Measure L)  
Summary Schedule of Prior Audit Findings  
June 30, 2021

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